

Annual Report 2007



ACLEDA Bank Plc.

The bank you can trust





This report has been prepared and issued by the Marketing Division of ACLEDA Bank Plc.,
to whom any comments or requests for further information should be sent.

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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. ”

Financial Results



Units in US\$ '000 (except EPS and Dividend)	31/12/07 Audited	31/12/06 Audited	31/12/05 Audited	31/12/04 Audited	31/12/03 Audited	Change (%) ¹
Assets	473,053	223,202	123,871	84,109	48,240	111.9
Loans (Net of Provision)	310,681	156,571	98,460	64,932	39,908	98.4
Liabilities	423,401	180,622	91,917	58,174	23,583	134.4
Deposits	344,533	123,150	61,901	31,640	13,161	179.8
Issued and Paid-Up Capital	30,000	30,000	13,000	13,000	13,000	-
Shareholders' Equity ²	49,652	42,580	31,955	25,935	24,658	16.6
Gross Income	59,583	37,204	25,679	17,128	11,758	60.2
Profit Before Tax	12,278	8,361	5,275	2,558	2,461	46.9
Net Profit After Tax	9,739	6,668	4,205	2,063	1,974	46.1
Earnings Per Share	\$0.3246	\$0.2223	\$0.3235	\$0.1587	\$0.1518	46.0
Dividend	\$0.1299	\$0.0889	\$0.1294	\$0.0630	\$0.0607	46.1

¹ From 31/12/2006 to 31/12/2007

² From 31/12/2006 excludes subordinated debt (prior to 2006 subordinated debt was included to conform to local accounting conventions)

Highlights of 2007

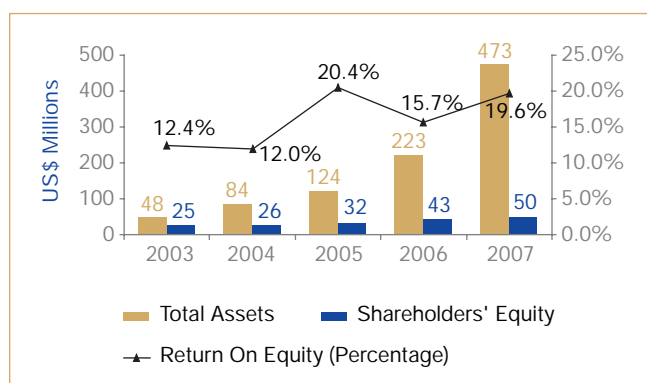


- Assets grew 111.9% to US\$473.1 million
- Loans expanded 98.4% to US\$310.7 million
- Non Performing Loans to Total Loans reduced from 0.10% to 0.06%
- Deposits increased by 179.8% to US\$344.5 million
- Net Profit After Tax rose by 46.1% to US\$9.7 million
- Return on Equity (excl. subordinated debt) improved to 19.6% from 15.7%
- Non-interest expense to gross income reduced from 59.2% to 57.7%
- Domestic funds transfers climbed 132.1% from US\$566 million to US\$1,314 million
- Overseas funds transfers surged 193.7% from US\$256 million to US\$753 million
- Moody's upgraded the foreign currency issuer rating of ACLEDA Bank to B1 from B2. Standard & Poor's assigned ACLEDA first-time ratings of 'B+/B' for Counterparty Credit and 'D' for Bank Fundamental Strength with outlook 'stable' (January, 2008)
- Completed move into our new purpose built headquarters
- Cambodian network grew from 156 to 204 offices
- Received license to open a commercial banking subsidiary in the Lao PDR.

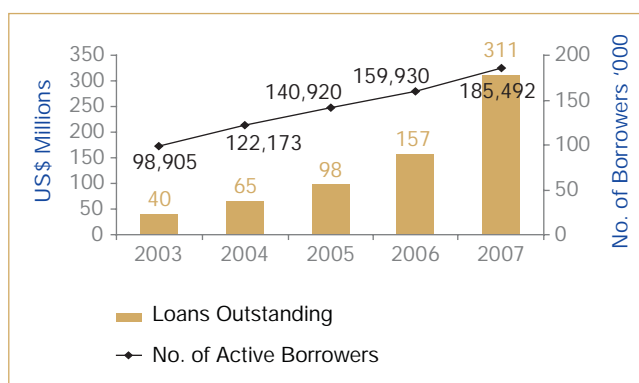
Performances for 2007



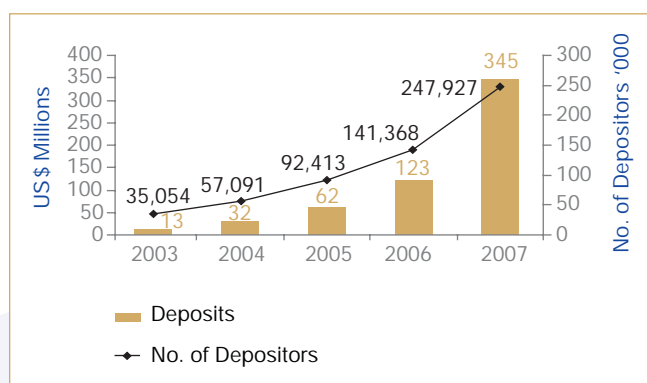
Total Assets/Shareholders' Equity VS Return On Equity



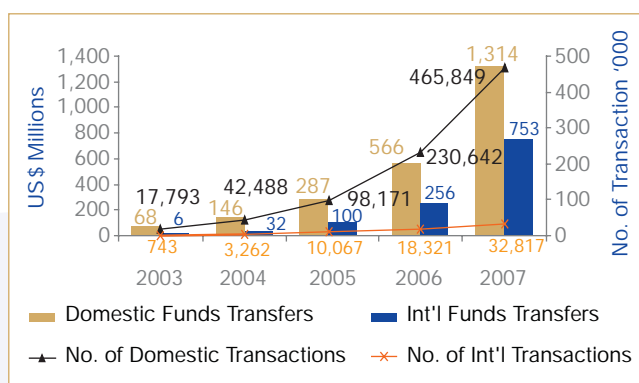
Loans Outstanding VS No. of Active Borrowers



Deposits VS No. of Depositors



Domestic and Int'l Funds Transfers VS No. of Transactions



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Cambodia Key Economic Indicators 2007

	2003	2004	2005	2006	2007e	2008f
1. GDP						
GDP % change	8.6	10.0	13.4	10.8	9.6	7.7
Per capita GDP (in U.S. dollar)	333.0	373.0	430.0	513.0	589.0	
2. Inflation						
Inflation (12 months moving)	1.15	3.87	5.78	4.71	5.84	
3. Government Budget (in percent of GDP)						
Revenue	9.7	10.3	10.3	11.5	11.8	12.0
Expenditure	15.7	14.9	13.7	14.0	13.3	14.9
4. Money and Credit (12 month percentage change)						
M2	15.3	30.0	16.1	38.2	62.9	29.0
Total Deposits in the Banking System	15.1	25.9	15.6	44.8	75.0	
Total Outstanding Loans in the Banking System	28.4	32.9	17.4	62.8	78.0	
Credit Private Sector	26.2	35.9	31.8	51.6	76.0	35.0
5. Balance of Payments						
Exports	2,086.8	2,589.0	2,910.0	3,693.0	4,041.0	4,793.0
Imports	-2,668.1	-3,269.0	-3,928.0	-4,749.0	-5,311.0	-6,243.0
Trade Balance	-581.3	-681.0	-1,018.0	-1,057.0	-1,270.0	-1,450.0
Current Account (exclude official transfers)	-493.2	-436.0	-591.0	-525.0	-571.0	-795.0
Current Account (include official transfers)	-167.3	-116.0	-266.0	-146.0	-170.0	-353.0
Exchange Rate (Riel per Dollar end period)	3,980.0	4,027.0	4,112.0	4,057.0	3,999.0	
6. Dimensions of the Banking System as at 31st December, 2007						
Number of banks	17 Commercial Banks 7 Specialized Banks 17 Licensed Microfinance Institutions					
Total Assets	US\$3,386.4 million					
Total Loans	Commercial Banks – US\$1,565.3 million Microfinance Institutions – US\$174 million					
Total Deposits	Commercial Banks – US\$2,481.2 million Microfinance Institutions – US\$6 million					
Loans/Deposits Ratio	0.75:1					

Source: IMF, National Bank of Cambodia, ACLEDA Research

Chairman's Report



Chea Sok
Chairman

“2007 has been a year of solid achievement characterised by a strong 60% growth in revenues and a 46% increase in net profit after tax to US\$9.7 million, our highest ever.”

The Cambodian Economic Background In 2007

Macroeconomic

From 1999 to the present the country has enjoyed increasing peace and stability with an average annual growth rate of 9.6% during the period. In particular from 2004 the annual growth rate accelerated to 11.2% reaching its highest point, 13.4%, in 2005. In 2007, the economy turned out a still very respectable GDP growth of 9.6%.

Annual inflation rate, based on a 12-month moving average, increased from 4.7% in 2006 to 5.8% in 2007. Against this, the official forecast of 4% for 2008 looks over-optimistic as food and fuel prices, which grew 19.8% and 10.1% respectively last year, continue to climb.

The KHR/USD exchange rate has been broadly stable fluctuating between KHR4,058 at the end of 2006 to KHR4,000 at the end of 2007 an appreciation of only 1.4%. A modest strengthening of the KHR is expected to continue going into 2008.

The international reserves have increased eleven-fold from US\$100 million in 1994 to over US\$1.1 billion in 2006 and are reported to have reached US\$1.7 billion by the end of 2007, a rise of 55% covering 3 months of imports.

The key performers in last year's growth were the agricultural sector +5.5%, the garments industry +8.9%, tourism +18.5% and construction +589.3%.

Financial Sector Development Strategy 2006-2015

The government's "Financial Sector Development Strategy 2006-2015" has started to have a positive impact in promoting economic expansion and macro economic stability. The banking system is gaining public confidence as evidenced by the high deposit growth which in turn is encouraging the commercial banks to raise more capital from their shareholders. Credit extended to the private sector increased by 76% of which credit to Services 57.4%, Wholesale & Retail 75%, Construction 137.4%, Real Estate & Public Utilities 65.8% and Agriculture 105.4%.

Economic Outlook for 2008

The macroeconomic prospects for 2008 and the medium term are generally positive. Even with demand constrained by the current high level of petroleum prices, Cambodia's real GDP is expected to increase by 7.7% in 2008, with similar growth in the following years. Although the official forecast for inflation is that it will remain below 4% that may be difficult to sustain but nevertheless it should remain under control. Broad money (M2) growth is targeted at 29% while it is estimated that money in circulation will expand by 17% and foreign currency deposits by 32%.

Shareholders' Meeting

The Annual General Meeting of Shareholders was held on May 18, 2007 at the bank's headquarters and in addition four Resolutions were passed by email during the year. 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 and other 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 2006.
- The audited Financial Statements for the year 2006.
- The payment of a dividend for 2006 of US 8.89 cents per share.
- The re-appointment of PricewaterhouseCoopers (Cambodia) Limited as the external auditors for 2007.
- Amendments to update Articles 6, 8 and 26 of the Memorandum and Articles of Association of ACLEDA Bank Plc.
- An amendment to the Subscription and Shareholders Agreement for an increase of capital from US\$30 million to US\$50 million and the conversion of debt into the capital.
- The re-election of the members of the Board of Directors for new three years terms.
- Investment to establish a commercial banking subsidiary in the Lao PDR.

Board Performance

Whilst a fuller report on the activities of our Board during the year is provided elsewhere there is one important decision which I particularly want to highlight. As a follow-up to the 'Three Years On - Building A Governance Structure For The Future' program which commenced in 2005 the Directors have initiated a Board Self Appraisal exercise which started in December, 2007. Further details are provided on page 33.

Achievements in 2007

2007 has been a year of solid achievement characterised by a strong 60% growth in revenues and a 46% increase in net profit after tax to US\$9.7 million, our highest ever. In March after nearly three years in the construction, we held the grand opening of our new headquarters which provides the most comfortable and modern banking hall in Cambodia. At the same time ACLEDA launched its automated teller machines (ATM) service to the public and the ACLEDA Card is now widely used throughout Cambodia. In conjunction with our partners, Telekom Malaysia International ('Hello 015/016') we introduced a mobile phone top-up service through our ATMs and payment of invoices of internet service provider OnlineCom™ through our branches. In August we were honoured to accompany Mr. Robert B. Zoellick, who was on his first overseas trip as President of the World Bank, on a visit to one of Cambodia's most successful micro-entrepreneurs and an important customer of our bank. But perhaps the most significant event of 2007 was the granting of a preliminary license by the government of the Lao PDR to establish a commercial banking subsidiary in Laos. ACLEDA is the first Cambodian bank to expand its operations outside the country and is the first step in our aim to become a regional player. The new bank, to be named ACLEDA Bank (Lao) Ltd. ('ABL'), is expected to open its doors in Vientiane by the middle of 2008 but hopes to establish additional branches in the provinces starting with Savannakhet and Pakse as business develops.

Other achievements worthy of note are:

- Moody's Investors Service upgraded the foreign currency issuer rating to B1 from B2 and reaffirmed its BFSR (Bank Financial Strength Rating) of 'D', one of the strongest for domestic banks in Asian developing markets.
- Based on 2007 performance on 10th January 2008, Standard & Poor's Ratings Services assigned ACLEDA Bank first time ratings of 'B+' long-term and 'B' short-term for Counterparty Credit, and a Bank Fundamental Strength Rating of 'D'. The outlook is 'stable'.
- At a Bankers Association ceremony in December the Governor of the central bank presented a 'Certificate of Appreciation' to ACLEDA for our 'valuable contribution towards the development of a countrywide branch banking network in Cambodia'.
- For the third year running ACLEDA received certificates of excellence from HSBC and Standard Chartered Bank for our payment and cash management services.

On the domestic front the branch network was expanded from 156 to 204 offices during the year.

Dividends

The Board is pleased to recommend a dividend per share of US 12.99 cents – a 46% increase over the 8.89 cents for 2006. This is the seventh consecutive year in which we have raised the dividend payout to shareholders since ACLEDA was transformed to a bank in 2000 and represents approximately 40% of our Net Profit After Tax. In keeping with our previous practice, we will propose that the remaining 60% of retained earnings be transferred to General Reserves.

The Year Ahead

On the back of the positive economic forecast for 2008, the year in which ACLEDA celebrates its fifteenth anniversary, we expect the growth in our business to continue at broadly the same rate as for 2006 and 2007. To support this and in line with our policy of maintaining our capital base at the upper level of the regulatory prudential ratios we raised our issued and paid-up capital from US\$30 million to US\$50 million in January by means of a rights issue which was fully subscribed by our existing shareholders. This is the fourth time ACLEDA has increased its capital since becoming a licensed bank in 2000. As I announced to the media at the time it is of paramount importance to build public trust and by demonstrating that we have strong shareholders ready and willing to support the bank we are creating confidence in our ability to protect our customers' savings.

Also on the cards for 2008 are:

- Continued expansion of our domestic branch, ATM and POS networks.
- Opening of our subsidiary, ACLEDA Bank (Lao) Ltd in Vientiane, Savannakhet and Pakse.
- Development of our strategy for building our capital base and the development of the Cambodian Stock Exchange.

Once again it is my pleasure to thank my colleagues on the Board of Directors for their support and wise counsel during 2007. Mr. Eric J. Rajendra resigned from the Board in October and I would like to take this opportunity of wishing him success in the future. In March 2008, we were pleased to welcome Mr. Aftab Ahmed to the Board as his successor.

On behalf of the Board and myself I express our appreciation to the CEO and his management team as well as the staff for their outstanding efforts in turning in the excellent results just reported.

I would also like to recognise the contribution of our customers, regulators, shareholders, suppliers and the general public during the year. Without your support our strategic objective to be Cambodia's leading 'bank for the people' and a significant presence in the Mekong region will remain just a dream – with it we shall succeed!



Chea Sok
Chairman

President & CEO's Report



In Channy
President & CEO

“A doubling of our loan portfolio, which for the first time was fully funded by deposits which grew 180%, supported by a reduction in Non-performing Loans from 0.10% to 0.06% and a 1.5% fall in our administrative costs ratio contributed to another excellent year and places the bank in a good position to face the challenges of 2008.”

Performance in 2007

Continuing GDP growth which has averaged double digits since 2003 has benefited the banking sector generally and ACLEDA Bank in particular. Our periodic capital raising since 2003 and our investment in new technology and the branch network has enabled us to fully exploit the opportunities presented by this favourable economic climate. A doubling of our loan portfolio, which for the first time was fully funded by deposits which grew 180%, supported by a reduction in Non-performing Loans from 0.10% to 0.06% and a 1.5% fall in our administrative costs ratio contributed to another excellent year and places the bank in a good position to face the challenges of 2008.

Competition amongst the 'big 4' banks in Cambodia is at an all time high which is good news both for the public as well as having a stimulating effect on the banks themselves. Additional competitive pressure is coming from the larger microfinance institutions ('MFIs') who have recently been permitted by the National Bank of Cambodia to take deposits and a number of them are known to be considering applying for a banking license. In spite of this we have increased our market share in deposits, from 9.4% to 14.7% and improved our share in lending from 17.7% to 20.0%. Out of the 17 licensed commercial banks operating at the end of 2007 we stood at 4th (5th in 2006) and 3rd (2nd) places respectively. Whilst we still hold the high ground in a number of key areas – particularly our systems and branch network – we must be alive to the need to ensure that the bank's strategy and balance sheet are robust enough to face the competition. The decision to increase the capital from US\$30 million to US\$50 million in January 2008, is a first vital step towards this.

During the year Total Assets increased by 111.9% to US\$473.1 million whilst Net Profit After Tax rose by 46.1% to a record US\$9.7 million. This translated into a Return on Equity of 19.6% an improvement on the previous year's 15.7%. Significant factors affecting our results were:

- i) Whilst maintaining a comprehensive rural network serving the needs of the people in the countryside entails high delivery costs, improved control over spending reduced our Operating Expense ratio from 59.2% to 57.7%. Cost reduction remains a high priority for the future.
- ii) Our loan portfolio continued to expand reaching US\$310.7 million, a 98.4% increase over 2006 and for the first time ever deposits covered loans ending the year with a Loans-to-Deposits ratio of 1:1.1 against 1:0.8 the previous year. This significantly reduced our funding costs and enabled us to absorb a reduction in our overall average lending rates due to competitive pressure from the MFIs in the higher earning segment and the relative growth of the lower priced (but higher fee generating) commercial and housing loan segments.
- iii) Whilst Gross Income rose 60.2% overall non-interest income's contribution remained steady at 11.1% of gross income with fee and commission earnings almost doubling. This was mainly due to growth of 132.6% and 185.1% in Domestic and Overseas Funds Transfers respectively and a doubling of trade finance revenues.
- iv) The successful launch of our ATM network in May and the high profile opening of our new headquarters in the same month had a dramatic effect on deposit gathering with the daily rate of new accounts opened and average balances both almost doubling. The instatement of Bankers' Blanket Bond cover and the uptick in our Moody's Foreign Currency Issuer Rating from B2 to B1 underpinned growing public confidence in ACLEDA.
- v) A survey conducted of our customers revealed very high service satisfaction with a high proportion of respondents indicating that service quality was the main reason for their banking with us.

Network

During 2007 our network in Cambodia grew from 156 to 204 offices, mainly in the rural and suburban locations, bringing banking services to new areas of population and substantially increasing our catchment area. In addition we installed ATMs in ten provinces and plan to provide them in all provincial cities by the middle of 2008. Our ATMs disburse cash in both USD and KHR. Through a partnership with Telekom Malaysia International, who operate the 'Hello 015/016™' cellphone network, we provide a mobile phone top-up service through our ATMs. In December we commenced rolling out Point of Sale terminals, with 'Cash Out' service, to selected outlets in Phnom Penh and some provincial capitals. This service will be greatly expanded in the coming year. By year end nearly 57,000 'ACLEDA Cards' had been issued to customers and transactions through the ATMs now exceed those across the counter. Demand for our cards is continuing strong into 2008.

It was with a great sense of pride that our work in bringing financial services to the whole countryside was recognised by the Governor of the National Bank of Cambodia with the award of a special Certificate of Appreciation at the Annual Dinner of the Association of Banks in Cambodia in December.

Trade Finance and Financial Institutions

Our Trade Finance Division enjoyed another successful year with both transactions and fee income doubling over 2006. By establishing more trade finance units in provincial centres we are bringing the benefits of direct trade between Cambodian buyers and sellers with their foreign counterparts rather than through informal arrangements with third country middlemen. Our Financial Institutions Unit, who have built up a comprehensive web of correspondents around the world covering 85 banks in 48 countries with 790 corresponding branches, has been an important ingredient in the development of our trade finance capability as well as the remarkable performance of our international funds transfer business.

Information Technology

Following the upgrade of our core banking system to Temenos T24 in 2006 we embarked on a major systems analysis using an external consultant to ensure that we could make best use of the capabilities of this powerful software. More offices were brought on-line using satellite technology as well as fibre optic, landline and microwave links and as the communication network develops we expect to eventually bring all our branches into the system within the next two years.

Risk Management

During 2007 we gave particular attention to risk management and, as reported on page 36, our board Audit and Risk Committee ('ARCO') together with our external auditors, PricewaterhouseCoopers, took a number of initiatives to ensure that risk analysis and internal controls were robust enough to withstand the stresses inherent in our continuing rapid growth. The Risk Management Committee, which was set up as an independent function in 2006 reporting to the Executive Committee and ARCO, underwent a comprehensive revision of its Terms of Reference. In addition management is taking measures to spread risk through diversification and imposing caps on our exposure to individual segments of the business portfolio.

Building the Brand

Riding on the publicity attracted by the move to our iconic new HQ ACLEDA has begun a long term program to 'build a brand' based on its distinctive façade. In addition to using the image on our ATM cards and our advertising and promotional material, our offices around the country are progressively being refurbished in a matching style which makes a striking impression and gives great visibility particularly in the provincial areas. This has attracted much favourable comment from both the public and government authorities. At the same time new uniforms have been issued to staff and our counter design standardised to harmonise the image throughout the branch network.

Laos

Following an intensive program of study of the Lao language our team, led by the General Manager Designate for Laos, Mr. Vann Saroeun, moved permanently to Vientiane at the end of the year to begin recruitment and training of approximately 80 Lao staff and to secure suitable office premises. The first group of recruits will be seconded to various branches in Cambodia to complete 'on the job' training commencing in March 2008. Vientiane is expected to have its soft opening in May with Savannakhet and Pakse shortly after.

Prospects and Strategic Imperatives for 2008

'Our commitment is to deliver quality and convenience to our customers by providing service 24 hours a day 365 days a year'

The focus for Cambodia will be on domestic growth and improving service quality in the five main lines of business in which the bank already has significant franchises and competitive advantage:

- Retail banking.
- Microfinance – both direct and wholesale.
- Micro, small and medium enterprise commercial banking.
- Cash management services (transfers, collections, payrolls, etc.) – to all sectors including commercial, national and multi-national companies, financial institutions, government and development agencies.
- Trade finance.

To achieve this our action plans are:

- A thorough re-examination of our management structure to rationalise responsibilities and reporting lines, and more evenly distribute the workload.
- Further expansion and upgrading of the office network in both urban and rural areas to meet the needs of those for who have limited or no access to banking services – in particular microfinance customers.
- Develop and launch new products and services especially those based on cards and ATMs, and our 24/7 call center.
- Improve the automated delivery systems for both new and existing products and services.
- Continually upgrading our MIS and communications networks.

- Expand and nurture our relationships with our international correspondents through the principle of 'reciprocity' to support trade finance and remittances.
- Work with the international rating agencies to benchmark ourselves against our peers both in the region and internationally. (In January 2008, Standard and Poor's joined Moody's in rating ACLEDA – see 'Credit Ratings' section at the end of this report – as we wished to offer our counterparties and prospective clients a choice as well as providing a second opinion on the bank.)

Strategic Priorities

Our ongoing strategic priorities are:

- To 'fill the gap' between microfinance and commercial banking to provide a seamless transition for our clients to move up the wealth ladder – to be a bank where all comers, irrespective of their financial status, our proud to be 'ACLEDA' customers.
- To build upon our model as an integrated microfinance, retail and commercial bank as a solid foundation for regional expansion.
- To develop our successful 'International Visitor Program' into a recognised training centre to share our experiences and encourage interchange of knowledge and 'best practice' with others in our field.
- To take a proactive role in the development of a capital market in Cambodia, with a stock exchange expected to be launched in 2009/2010, both with a view to the opportunities it can offer for our future capital raising as well as new financial services which it may create.

Once again it is my warmest pleasure to express my thanks to our shareholders, the Board of Directors, my colleagues in ACLEDA Bank, the National Bank of Cambodia and, above all, our customers for their continued support in our efforts to build ACLEDA Bank to be the market leader.

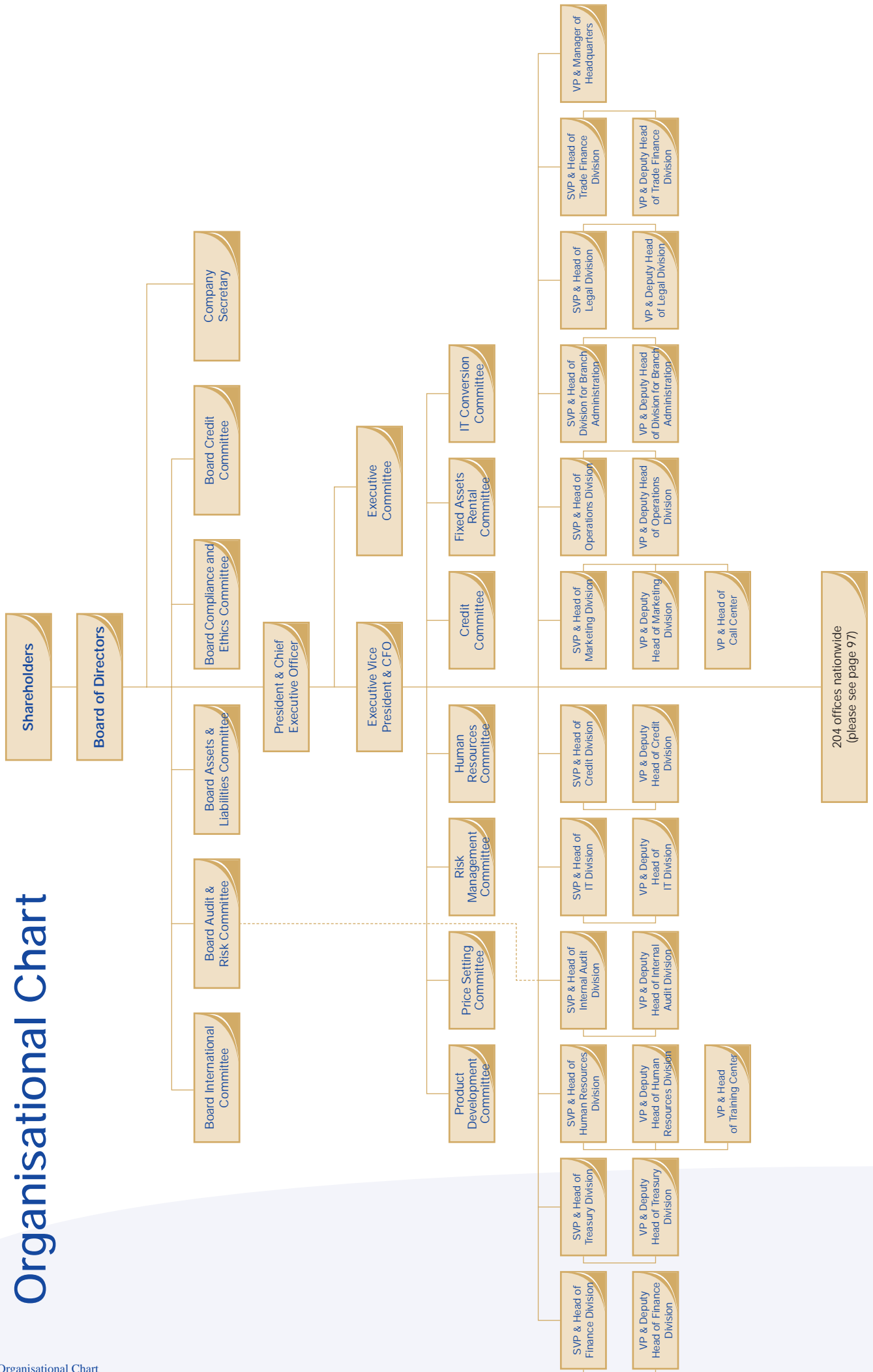


In Channy
President & CEO



New staff of ACLEDA Bank Lao Ltd. undergoing training in ACLEDA Bank's Headquarters in Phnom Penh

Organisational Chart



Branch Network



By the end of 2007 ACLEDA Bank Plc. has 204 offices (and growing) covers all 24 provinces/towns in the country.



Corporate Governance



Principles

ACLEDA Bank Plc. is governed 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 lead by the President & CEO 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 approving certain critical strategic matters 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 Organisation in 1993 for small and micro enterprise development, which aims to raise the standards of living of the poor by promoting economic activities ranging from self-employment and small to medium size business.

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

ACLEDA NGO's main activities are:

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

ASA, Inc.

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



DEG - Deutsche Investitions-und Entwicklungsgesellschaft (DEG)

DEG, member of KfW Bankengruppe (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 been financing and structuring the investments of private companies in developing and transition countries.

DEG invests in profitable projects that contribute to sustainable development in all sectors of the economy, from agriculture to infrastructure and manufacturing to services. We also focus on investments in the financial sector in order to facilitate reliable access to capital locally.

To date, we have worked together with more than 1,300 companies. By providing over EUR7 billion of finance, a total investment of over EUR45 billion could be achieved.

Our aim is to establish and expand private enterprise structures in developing and transition countries, and thus create the basis for sustainable economic growth and a lasting improvement in the living conditions of the local population.

The Netherlands Development Finance Company (FMO)

The Netherlands Development Finance Company (FMO) is the international development bank of the Netherlands. FMO invests risk capital in companies and financial institutions in developing countries. FMO's investment portfolio is EUR3.4 billion and FMO is one of the largest bilateral development banks worldwide. Thanks in part to its relationship with the Dutch government, FMO is able to take risks which commercial financiers are not - or not yet - prepared to take. FMO's mission: to create flourishing enterprises, which can serve as engines of sustainable growth in their countries.

The International Finance Corporation (IFC)

IFC, a member of the World Bank Group, fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing private capital in local and international financial markets, and providing advisory and risk mitigation services to businesses and governments. IFC's vision is that people should have the opportunity to escape poverty and improve their lives. In FY07, IFC committed US\$8.2 billion and mobilized an additional US\$3.9 billion through syndications and structured finance for 299 investments in 69 developing countries. IFC also provided advisory services in 97 countries. For more information, visit www.ifc.org.

Triodos-Doen Foundation

Triodos-Doen Foundation was founded by Triodos Bank and DOEN Foundation in 1994. Triodos-Doen's vision is to develop microfinance into a full-fledged and integral part of the financial sector in developing countries. The creation of an inclusive financial sector, a sector where the majority of people have access to financial services, will provide a sustainable basis for a balanced social-economic development. In Triodos-Doen's vision microfinance institutions distinguish themselves from other financial institutions through a specific identity and sustainable profile. This profile includes not only a focus on the profitability of the institution but also on the social aspects, which are an almost inherent part of their mission, and on the potential impact of their business and credit operations on the environment and natural living conditions.

Triodos-Doen is one of the three microfinance funds managed by Triodos Investment Management BV, part of Triodos Bank NV in the Netherlands. Triodos Bank is the leading sustainable bank in Europe. Triodos-Doen is involved in 50 microfinance institutions in Asia, Latin America, Africa and Eastern Europe. The total portfolio at the end of 2007 amounted to EUR43 million. Other equity investments in microfinance banks, besides ACLEDA Bank, include K-REP Bank in Kenya, Mibanco in Peru, FFP FIE in Bolivia, Akiba Commercial Bank in Tanzania, XacBank in Mongolia, BRAC Afghanistan Bank in Afghanistan, AccèsBanque Madagascar, CEB in Cambodia, and Reliance Financial Services in The Gambia.

Triodos Fair Share Fund

Triodos Fair Share Fund, established in 2002 in the Netherlands, is one of the first and very few social-ethical funds worldwide that offers the opportunity to invest in microfinance institutions to the general public. The fund initially concentrates on the private investors market in the Netherlands. Triodos Fair Share Fund is one of the three microfinance funds managed by Triodos Investment Management BV, part of the Triodos Bank NV, and invests in microfinance institutions in developing countries, Central Asia and Eastern Europe. The objective of the fund is to give low-income people in these countries access to financial services by contributing to a sustainable inclusive financial sector. At the end of 2007 the portfolio of Triodos Fair Share Fund amounted to EUR37 million. Besides its equity investment in ACLEDA Bank, Triodos Fair Share Fund is a shareholder in FFP FIE in Bolivia, XacBank in Mongolia, and Mibanco in Peru. Triodos Fair Share Fund has provided loans to 14 other microfinance institutions.



Board of Directors



The directors are appointed by the Shareholders for three year terms 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 President & CEO. 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 Asset 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 2007 appears on pages 34-41 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.

Board of Directors as at 31st December, 2007



Mr. Chea Sok

Chairman

Cambodian

Board Committees:

Compliance and Ethics (Chair),
Assets and Liabilities,
Audit and Risk, Credit,
International.

Joined the Board October 2000. Born in 1943, he obtained a Licence-Science Commercials in 1967 (specialising in banking, finance and accounting). He joined the Banque Khmère pour le Commerce (Commercial Bank) in 1965 as Branch Manager in Sihanoukville, Deputy Branch Manager in Phnom Penh and Battambang until 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 microfinance in several countries and in Cambodia. He retired from the National Bank in 1999 after 20 years in banking, finance, legal and management. In 2006 he undertook the International Company Directors Course in Perth, WA, organised by Australian Institute of Company Directors. **Mr. Chea Sok** is also Chairman of the Board of ACLEDA Bank (Lao) Ltd.



Mr. John Brinsden, OBE

Vice-chairman

British/New Zealand

Board Committees:

Assets and Liabilities (Chair),
International,
Audit and Risk, Credit.

Born in 1942, he has lived in Asia for 41 years the last 18 of which were in Vietnam and Cambodia. He previously worked for the Standard Chartered Bank from 1961 until 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 governance 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 Phnom Penh but travels widely in the Asia-Pacific region and Europe. **Mr. Brinsden** also sits on the Board of ACLEDA Bank (Lao) Ltd.



Mrs. Femke Bos

Director

Dutch

Board Committees:
Credit (Chair).

Born in 1969. Board member since August 2002. Mrs. Femke Bos joined Triodos Bank in 2002 and is currently Fund Manager of the Triodos-Doen Fund, a EUR44 million microfinance investment fund and Senior Investment Officer for Asia and the MENA (Middle East and North Africa) region. Prior to that she held several management positions with ABN AMRO Bank in the Netherlands. She received her master's degree in Law from the University of Amsterdam in 1994. During her career she gained experience in retail and commercial banking, legal affairs, management, microfinance and investment banking. In addition, Mrs. Femke Bos serves on the Board of Directors of ACLEDA Bank (Lao) Ltd. and XacBank in Mongolia. She attended the Australian Institute of Company Directors' International Company Directors Course in Perth, Western Australia, in 2006.



Mr. Joseph J. Hoess

Director

American

Board Committees:
Audit & Risk (Chair),
International.

Born in 1966, Mr. Hoess is Director and Chief Financial Advisor of APG World Inc. since February 2006. He previously worked as a career expatriate for ABN AMRO Bank NV from 1991-2006. While with ABN AMRO, he held senior management positions in both commercial and investment banking capacities while posted in the United States, Europe, Brazil, China and Thailand. Mr. Hoess received his B.A. in History with honors from Northern Illinois University in 1988 and an MBA from the University of Illinois at Chicago in 1992. He is a Graduate of the Australian Institute of Company Directors and is a regional consultant to Enterprise Bank Inc. of the Philippines under the Bankers for Bankers Program founded by FMO, Triodos Bank, PUM and NFX (Netherlands Financial Sector Development Exchange). Mr. Hoess is also Vice-chairman of ACLEDA Bank (Lao) Ltd.



Drs. Peter Kooi

Director

Dutch

Board Committees:
International (Chair),
Credit.

Born in 1958, joined the Board October 2000. Drs. Kooi studied corporate finance and sociology at the Erasmus University in Rotterdam, the Netherlands. From 1993, 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, he worked as a short-term microfinance consultant for microfinance institutions and projects located mainly in Africa and Asia. From September 2002 until December 2005, Drs. Kooi was Director of the Microfinance Unit of UNCDF in New York. Since then has been a resident Director of the Board of ACLEDA Bank. He is a Graduate of the Australian Institute of Company Directors. Drs. Kooi also sits on the Board of ACLEDA Bank (Lao) Ltd.



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 Division for Branch Administration as Assistant Vice President and Manager of the Security Unit.



Mrs. Sok Vanny

Director

Cambodian

Joined the Board October 2000. Born in 1966, she obtained a master's degree of business administration majoring in finance and banking from the National University of Management, Phnom Penh, Cambodia, in September 2006. She graduated with a bachelor's degree of business administration majoring in management from the National Institution of Management, Phnom Penh, Cambodia, in 2001. She joined ACLEDA NGO in 1993 and now works in the Finance Division of ACLEDA Bank.



Mrs. Jutta Wagenseil

Director

German

Joined the Board July 2001. Born in 1953, she has more than 28 years of business experience in the Far East. She obtained a master's degree of economics and business administration at Justus-Liebig-University, Giessen, Germany in 1978. She then participated in a trainee program of the reputed German Development Institute, Berlin, Germany. In 1979 she joined Klöckner Industrie-Anlagen GmbH, Duisburg, Germany (1979-1988) where she worked on heavy industry projects with a regional emphasis on Southeast Asia. She left the company as Deputy Head of the Department for Economic Studies and Project Development. In 1988 she joined DEG - Deutsche Investitions-und Entwicklungsgesellschaft mbH working in the Business Cooperation Program of the German Government (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, Cambodia and the Philippines. She serves on the Board of Directors of several companies in Thailand and the Philippines. She attended the Australian Institute of Company Directors' International Company Directors Course in Perth, Western Australia, in 2006.

Executive Management



The President & CEO 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 President & CEO 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 President & CEO at his discretion under the general headings of:

- Strategic direction – develop policies, goals, strategies and targets for Board approval
- Performance – assemble and mobilise 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
President &
Chief Executive Officer

Born on 4th June 1960. He holds a master's degree of business administration from Norton University and studied Business Organisation and Management at Gwynedd Mercy College, USA in 1990. He obtained a bachelor's degree in education at the Faculty of Advanced Education in Thailand, in 1992. From 1993 onwards, he has attended numerous courses on management and microfinance in Cambodia and overseas. In 1998, he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He is a Graduate of the Australian Institute of Company Directors (GAICD) and has received a Diploma on 'Productivity Improvement and Management for Asian Economies in Transition', Torino, Italy. He was one of the founders of ACLEDA in 1993.



Mr. Chhay Soeun

Executive Vice President &
Chief Finance Officer

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 overseas. 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 obtained a bachelor's degree of business administration (BBA) from the Universiti Tun Abdul Razak (UNITAR), Malaysia, in June 2006. He attended the International Company Directors Course in Perth, WA, July 2006, organised by the Australian Institute of Company Directors and was awarded their diploma in January 2007. He is one of the founders of ACLEDA in 1993 and has been in charge of Finance in 1994 and has been Executive Vice President & Chief Financial Officer since July 2006.



Mrs. So Phonnary

Senior Vice President &
Head of Marketing Division

Born in 1963, obtained a master's degree of business administration majoring in management from Charles Sturt University, Wagga Wagga, NSW, Australia, in April 2007. She has a bachelor's degree in economic sciences at the Economic Institute in Phnom Penh in 1989. From 1993, she attended numerous courses on management and microfinance in Cambodia and overseas. 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 has been Manager of Marketing Department in 1996 and has been Senior Vice President & Head of Marketing Division since July 2006.



Mr. Rath Yumeng
Senior Vice President &
Head of Finance Division

Born in 1962, obtained a master's degree of business administration majoring in finance and banking from Western University, Phnom Penh, in 2007. He graduated with a bachelor's degree of finance at the Institute of Scientific Economic in Phnom Penh in 1991. From 1991-1998 he was the Office Manager at CARE International (UNHCR program), Financial Assistant of projects funded by UNDP and ILO, Financial Assistant at U.S. Embassy in Phnom Penh. From 1996, he attended numerous courses on management and accounting in Cambodia and overseas. In 1998 he completed Financial Manager Officer's Course in U.S.A. He joined ACLEDA in 1999 as Chief Accountant, moving on to Deputy Head of Finance Division in July 2006, and has been Senior Vice President & Head of Finance Division since May 2007.



Mr. Cheam Teang
Senior Vice President &
Head of Treasury Division

Born in 1955, obtained a master's degree of business administration from Rushmore University, Dakota Dunes, USA, in June 2001. He 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 overseas. 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 until he was promoted to Operations Manager in 1998 and he became Treasury Department Manager in 2000 and has been Senior Vice President & Head of Treasury Division since July 2006.



Mr. Chan Serey
Senior Vice President &
Head of Human Resources Division

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 overseas. 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 as Human Resources Department Manager in 2002 and has been Senior Vice President & Head of Human Resources Division since July 2006.



Mr. Mach Terry
Senior Vice President &
Head of IT Division

Born in 1965. He completed his high school certificate in 1986 in Australia. He was awarded a degree in bachelor of science in 1989 by Monash University in Australia, majoring in computer sciences and statistics. He then proceeded to do a graduate diploma in business systems and was awarded the diploma in 1990 by the same university. He worked for several different organisations, including the ANZ Bank in Australia, Monash University, UNHCR in Cambodia, World Vision Cambodia, International Labour Organization, and finally, ACLEDA NGO as a consultant before assuming his full-time management position with ACLEDA Bank in July 2000 and has been Senior Vice President & Head of IT Division since July 2006.



Mrs. Kim Sotheavy
Senior Vice President &
Head of Internal Audit Division

Born in 1965, obtained a master's degree of business administration majoring in finance and banking from Western University, Cambodia, in December 2007. She graduated with a bachelor's degree in economic sciences majoring in business at the Economic Institute in Phnom Penh in 1991. Since 1992 she has attended numerous courses on management, accounting and auditing in Cambodia and overseas. From 1997, she completed a range of advanced courses in finance and auditing at the Regent College in Phnom Penh. 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 and has been Senior Vice President & Head of Internal Audit Division since July 2006.



Mr. In Siphann
Senior Vice President &
Head of Credit Division

Born in 1957, studied management and accounting at the Economic School in Phnom Penh in 1980, obtained a diploma in business management in 1988, then a bachelor's degree in 2003 and is now pursuing an MBA. Since 1997, he has attended numerous courses on management and accounting, microfinance in Cambodia and overseas. In 1999, he completed an executive course on Finance Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. From 1994, he worked in ACLEDA Bank as small enterprise promotion officer and credit officer. He became an accountant in 1997 and promoted as deputy branch manager within the same year. In 1998, he was promoted to provincial branch manager and then became Credit Department Manager in June 2002 and has been Senior Vice President & Head of Credit Division since July 2006.



Mr. Ly Thay

Senior Vice President &
Head of Operations Division

Born in 1975, obtained a bachelor's 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 then was promoted to Operations Office Manager in 2002. He was promoted to Operations Department Manager in 2004 and has been Senior Vice President & Head of Operations Division since July 2006.



Mr. Nay Soksamnang

Senior Vice President &
Head of Division for Branch
Administration

Born in 1961. Obtained an associate degree in accounting at Regent College in Phnom Penh in 1999. Between 1994 and the present, he attended numerous courses on management and microfinance in Cambodia and overseas. In 1999, he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. In 1994, he started working for ACLEDA as a business trainer and credit officer. In 1997, he was promoted to be a deputy provincial branch manager. He became a branch manager in 1998 and was promoted to be Manager of Department for Branch Administration in September 2005 and has been Senior Vice President & Head of Division for Branch Administration since July 2006.



Mr. Prom Visoth

Senior Vice President &
Head of Legal Division
and Company Secretary

Born in 1975, obtained a master's degree of business administration majoring in finance from Charles Sturt University, Wagga Wagga, NSW, Australia, in April 2006. He graduated with a bachelor of business administration majoring in accounting from the Faculty of Business in 1997 and bachelor of law administration majoring in private law from the Faculty of Law and Economic Sciences in 2000 in Phnom Penh, Cambodia. He started working for ACLEDA as accountant in June 1998 and was promoted to the technical staff of Credit Department in 1999 and then was continuously promoted to be Manager of Svay Rieng Branch in 2000. He became Legal Team Leader and Company Secretary in 2001 and Manager of Legal Department and Company Secretary in January 2006 and has been Senior Vice President & Head of Legal Division and Company Secretary since July 2006.



Mr. Ung Sam Ol

Senior Vice President &
Head of Trade Finance Division

Born in 1963, obtained a master's degree of business administration majoring in accounting and finance from Build Bright University in 2005, Phnom Penh. He graduated with a bachelor's degree of economic sciences majoring in banking and finance, Norton University in 2001, Phnom Penh. He was awarded a diploma in accounting and finance in 1988 from Phnom Penh Business College. He started working for ACLEDA as accountant in 1998 and became head of the credit control unit in 1999. He has attended numerous courses on management and accounting in Cambodia. He was promoted to be branch manager of Kampong Thom branch in 2001 and has been Deputy Manager of Operations Department in 2004 and was promoted to be Manager of Trade Finance Department in January 2006 and has been Senior Vice President & Head of Trade Finance Division since July 2006.

Code of Conduct



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. Amongst other things, Directors' Service Agreements, a Directors Induction Program and Due Diligence Checklist and a Directors' Code of Conduct have all been put in place and rules regarding Directors' remuneration and expenses have been formalised. In 2006, Members of the Board attended the International Directors Course provided by the Australian Institute of Company Directors as part of the Board's commitment to the continual upgrading of its professional skill and competency.

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.

Report of the Board of Directors



President of the World Bank, Mr. Robert B. Zoellick with customers and management of ACLEDA Bank Plc.

The Board met face-to-face four times in March, June, September and December during the course of 2007 and in addition passed 36 resolutions by email. Each meeting normally lasts one whole day except for the March meeting which extended into a second day to review the previous years results and meet with the external auditors.

Principal activities in 2007

- Reviewed the Bank's quarterly financial reports and received progress reports on all operational aspects of the bank's operations including services and products
- Received and reviewed the external auditors' special Management Letters and approved management's response thereto
- Approved a rights issue to increase the capital from US\$30 million to US\$50 million
- Approved the audited financial statements and Annual Report for the year 2006
- Reviewed and approved the Business Plan, Budget and Capital Expenditure Plans, and Funding Strategy
- Approved the branch expansion plan
- Reviewed reports of Board Committee Chairmen on their committees' activities
- Reviewed progress report on Electronic Banking Service
- Approved the introduction of new strategic products and services, and delivery processes
- Approved the project of investment of ACLEDA Bank Lao PDR
- Ratified amendments to the Credit Policy
- Undertook a feasibility study for cross-border expansion
- Approved amendments to the Subscription and Shareholders Agreement and the Memorandum and Articles of Association of ACLEDA Bank Plc.
- Performed the annual appraisal of the President & CEO and approved his 2007 remuneration package
- Initiated Board Self Appraisal program (see following section)



Board Evaluation

In March 2005, the Board commenced a program called 'Three Years On - Building A Governance Structure For The Future' in order to meet the needs of the bank's long term strategic goals. During the ensuing period attention has been focussed particularly on the role of the Board and the experience and skill-sets needed to provide the organisation with the leadership to achieve these goals. As a start members of the Board and the two most senior executives participated in the Company Director's Course provided by the Australian Institute of Company Directors ('AICD') in July, 2006. At the Board meeting in March, 2007, the Directors decided to implement a board self appraisal exercise as a logical follow-up to the board development program. This commenced in December and will be carried out in three steps:

1. Establish a consensus as to the standards which a 'good' ACLEDA Board should meet as a benchmark.
2. Evaluate how well the Board collectively meets these standards; identify areas of strength and weakness and to suggest how to build on those strengths and remedy those weaknesses.
3. From experience gained develop a model for self appraisal to be undertaken at fixed intervals as part of the regular working of the Board.

This process is expected to continue throughout 2008 and will feature as a regular item in the Governance section of future Annual Reports.

Board Committees



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

The reports appear on pages 34 to 41

- Assets and Liabilities Committee (ALCO)
- Audit and Risk Committee (ARCO)
- Compliance and Ethics Committee (CEC)
- Credit Committee (BCC)
- International Committee (INCO)

Assets and Liabilities Committee (ALCO)

Scope and purpose

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

Members

1. Board Member (Chair)
2. Board Member
3. President & CEO (ex officio)
4. EVP & CFO (ex officio)
5. SVP & Head of Treasury Division (ex officio)
6. SVP & Head of Marketing Division (ex officio)
7. SVP & Head of Credit Division (ex officio)
8. SVP & Head of Operations Division (ex officio)

Mr. John Brinsden

Mr. Chea Sok

Mr. In Channy

Mr. Chhay Soeun

Mr. Cheam Teang

Mrs. So Phonnary

Mr. In Siphann

Mr. Ly Thay

Issues and Activities of 2007

A rapidly changing financial landscape in 2007 posed some interesting new challenges for the Committee which held twelve regular meetings and four special meetings during the year. All permanent members or their deputies were in regular attendance.

- While rapidly falling USD interest rates on the international markets from September onwards has had little impact on local USD rates so far the Committee considered whether there was a need to restructure our borrowed funds portfolio as some of the older obligations were starting to look relatively expensive. In addition, the rapid growth of our deposits from US\$123 million to US\$345 million and the achievement of a loans-to-deposits ratio of 1:1 by the end of May suggested that some prepayment might be beneficial. However, an examination of maturities, which revealed that our borrowings would rapidly run down of their own accord, and a sudden pick up in our lending in the second half led to the conclusion that pre-payment would not be advantageous at this time. In the meantime the bank remains highly liquid and has been identifying additional banks who conform to our credit criteria with whom we can lay off funds at a profit.
- USD/KHR exchange rates remained stable throughout most of the year trading within a narrow band of <2% (official and market rates). However the KHR, reflecting international trends, started a moderate but steady appreciation against the USD in December. In spite of this and the higher rates offered on deposits in KHR the USD remains the preferred currency for savings.
- Against a backdrop of rising USD liquidity in the domestic banking system with increasing foreign exchange reserves fuelled by record inward investment and 'family' remittances the bank experienced increasing liquidity surpluses throughout the year. Nevertheless solvency ratios, which became tight in December due to the rapid increase in deposits, had to be managed carefully until they were alleviated by the capital increase of US\$20 million in January 2008.
- Active use of the special arrangements in place with the National Bank and Foreign Trade Bank ensured a sufficient supply of Khmer Riel to meet strong demand for credit but this is only a short term solution and emphasis is being placed on raising cheaper local currency deposits.
- Our previous shortage of Thai Baht was overcome and assets and liabilities were well matched throughout the year. A sudden increase in THB deposits in December leaves us well positioned to fund our Baht book going into 2008.
- In order to accommodate increasing demands on our foreign exchange settlement as well as the demise of the F/X swap facility due to the conversion of the ACLEDA NGO sub-debt to equity, ALCO approved increases in the internal mismatch limits in USD, Euro and THB to 5% of Net Worth each. Whilst the new limits are within the central bank's ceilings (which have recently been increased to 20% for each currency) and the bank's established policies they will be regularly reviewed in the light of market conditions and the business needs.
- The Committee reviewed a number of its procedures and policies during the year starting with its own Terms of Reference with a view to putting more focus on improving revenue generation through more efficient use of the balance sheet rather than merely managing mismatch risks. In addition the Funding Strategy has been updated for 2008, and Treasury Division has undertaken a complete revision of their Operating Manual. An ongoing issue is the introduction of a unified Base Rate to make pricing easier across the product range.
- It is satisfactory to be able to report that a team from ACLEDA reached the finals of the international Asset and Liability Management competition sponsored by FMO and managed by Simarch NV which was held in The Hague in January 2008. Although the bank didn't gain the top spot, losing out to a team from a bank in Sri Lanka, we performed very creditably particularly in the Risk Management category.

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 at their 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 (Chairman)	Mr. Joseph J. Hoess
2. Chairman of the Board of Directors	Mr. Chea Sok
3. Vice-Chairman of the Board of Directors	Mr. John Brinsden
4. President & CEO (ex officio)	Mr. In Channy
5. EVP & CFO (ex officio)	Mr. Chhay Soeun
6. SVP & Head of Internal Audit Division (ex officio)	Mrs. Kim Sotheavy
7. SVP & Head of IT Division (ex officio)	Mr. Mach Terry
8. SVP & Head of Operations Division (ex officio)	Mr. Ly Thay
9. SVP & Head of Finance Division & Risk Management (ex officio)	Mr. Rath Yumeng
10. VP & Manager, Risk Management Committee (ex officio)	Mrs. Mar Amara

All members of ARCO, whether executive or non-executive, have the appropriate financial and accounting expertise, whether by qualification or gained through solid professional experience.

ARCO (or "the Committee") 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 individual risks, but takes responsibility for ensuring that there are appropriate management responsibilities and processes in place to deal with 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 in 2007

- ARCO met four times during the 2007 fiscal year - in March, May, August and December. In addition, a meeting between the non-executive members of ARCO and the bank's external auditors, PricewaterhouseCoopers ("PwC"), was conducted in December during the 2007 fiscal year audit process.
- In May, **Mr. Rath Yumeng** assumed a new role as SVP Finance Division, and was replaced as Head of the Risk Management Committee by **Mrs. Mar Amara**. Upon this change, **Mrs. Mar Amara** assumed the ARCO seat reserved for the Head of Risk Management Committee in August.

- The Committee experienced a perfect attendance record in 2007, and welcomed a number of observers into its meetings, including:

Board Member & Chairman of BCC	Mrs. Femke Bos
Board Member & Chairman of INCO	Drs. Peter Kooi
Board Member	Mr. Eric J. Rajendra
SVP & Head of Marketing Division	Mrs. So Phonnary
VP & Manager, Siem Reap Branch	Mr. Vann Saroeun
AVP & Manager, Internal Audit Division	Mr. Kon Rotha
AVP & Manager, Treasury Division	Ms. Soy Boramy
Triodos Bank Officer	Mr. Ruben de Haseth

- PwC participated in the March Board of Directors Meeting to present the 2006 Audited Financial Statements and their Management Report to the Directors.
- The Committee received the external auditor's Management Letter pertaining to the fiscal year 2006 annual audit. This letter indicated that PwC had received excellent cooperation from the management of the bank while performing its duties.

The external auditor's 2006 Management Letter raised several areas for heightened attention, being system updates, access and reconciliation; system conversion and new system implementation processes; electronic banking service ("EBS") implementation; security and safety, evidence of document review; reporting; and taxation. The Committee was satisfied with management's response and the various remedies proposed.

The Committee agreed that all outstanding matters raised in the 2005 Management Letter that were both feasible to implement, and appropriate for the betterment of ACLEDA Bank, had been effectuated.

The Committee's findings and the ARCO Annual Report were endorsed by the full Board at its March meeting.

- The National Bank of Cambodia ("NBC") performed its bi-annual audit of ACLEDA Bank in the 3rd quarter of 2007. Due to a misinterpretation of what constitutes a related party loan to be subtracted when calculating the bank's Net Worth, the bank was not compliant with the NBC's Net Worth calculation. US\$1.35 million of loans not previously classified as "related" were reclassified and subtracted from the bank's Net Worth to adhere to the proper NBC definition.
- In 2006, the Committee was active in reviewing and modifying the bank's IT system conversion and new system implementation procedures. In 2007, the Committee spearheaded the completion of an independent assessment of the bank's core IT systems by Development Alternatives Inc. ("DAI"). DAI was chosen as the service provider to perform this function based on the qualitative strength of its proposal in comparison to seven other competing bids in an open bid process conducted by ACLEDA Bank with the support of IFC.

Based upon the assessment result, the bank created the IT Management Committee ("ITMC"), headed by **Mr. Chhay Soeun**, EVP & CFO, for the purpose of enhancing the alignment of IT activities amongst all Divisions of the bank and consolidating the decision-making process. This organisational change has increased communication and transparency throughout the bank on IT matters, and has resulted in a higher degree of oversight.

The ITMC has produced an action plan for the implementation of detailed recommendations made by DAI, and such implementation is on-going and being closely monitored by ARCO.

- The Committee authored a Terms of Reference related to the formalization of the Risk Management Committee. The Terms of Reference have been formulated so that the Risk Management Committee plays an integral role in assisting the Board of Directors in promoting the best interests of ACLEDA Bank by ensuring that the bank has implemented policies, procedures and processes to manage the key credit, liquidity, balance sheet, market and operational risks to which it is exposed, as well as to ensure compliance to all applicable laws and regulations.

- ARCO and the Board Credit Committee ("BCC") initiated a cash flow analysis review of the bank's Top 40 corporate loan customers and a loan quality review of loan exposures in excess of US\$75,000 – to intensify scrutiny of the bank's portfolio in conjunction with growth. The two Committees are also working together to enhance loan portfolio classification detail to more accurately assess direct and indirect industry/asset exposure.
- The Committee closely monitored the implementation of EBS at ACLEDA Bank and addressed issues such as limiting card issuance per account and daily withdrawal limits; ATM function; information interface between Electra and T24; and system security.
- The Committee thoroughly reviewed and made adjustments to ACLEDA Bank's anti-money laundering ("AML") and counter-financing of terrorism ("CFT") account and transaction review procedures.
- Carrying over from 2006, the Credit Scoring Worksheet ("CSW") developed by the bank was enacted for use in evaluating the bank's corporate loan customers and operational risk reduction performance measures were included into staff evaluations in 2007.

Report and Recommendations

It is the opinion of ARCO 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.

The Committee recommends re-appointing PricewaterhouseCoopers as external auditors for 2008. This reappointment is consistent with the results of its bi-annual appraisal of international accounting firms performed in 2006 and the Committee's preference, for consistency, to use the previous year's auditor when consolidating the performance of ACLEDA Bank's new subsidiary, ACLEDA Bank (Lao) in 2008.

ARCO is satisfied that PwC has demonstrated independence and professional expertise in composing the fiscal year 2007 audited financial accounts of ACLEDA Bank. During the year, PwC 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 (CEC)

Scope and purpose

- 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.
- 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. President & CEO (ex officio) | Mr. In Channy |
| 3. EVP & CFO (ex officio) | Mr. Chhay Soeun |
| 4. SVP & Head of Legal Division (ex officio) | Mr. Prom Visoth |
| 5. SVP & Head of Marketing Division (ex officio) | Mrs. So Phonnary |
| 6. SVP & Head of Internal Audit Division (ex officio) | Mrs. Kim Sotheavy |
| 7. SVP & Head of Treasury Division | Mr. Cheam Teang |

Issues and Activities for 2007

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

- Reviewing operating manuals and procedures to ensure compliance with external laws, 'prakas' and any new regulations by the National Bank of Cambodia ('NBC') and other authorities. Under pressure to meet World Trade Organization obligations, 2007 saw the passing of a considerable amount of legislation both new as well as administrative orders modifying or clarifying existing laws governing prudential and reporting requirements: particularly the Law on Secured Transaction, the Law on Anti-Money Laundering and Combating Financing of Terrorism, Law on Issuance and Trading of Non-Government Securities.
- Reviewing the law and regulation of the central bank of Laos, the Bank of the Lao PDR, especially the law on commercial banks and the rules and regulations related to the prudential and reporting requirements.
- Monitoring the evolution of good governance developments in the local, ASEAN and international economic, monetary and banking systems and implications and benefits for ACLEDA.
- 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 and to ensure that the bank's activities conform to its policies on respecting human rights.
- Conduct a study with the internal auditors to assess the impact on the rapid growth of our staff, particularly new employees, on working practices and ethical behaviour within the bank and monitor the effectiveness of the training and counselling programs as a means of maintaining the organisation's standards.

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	Drs. Peter Kooi
4. Board Member	Mr. Chea Sok
5. President & CEO (ex officio)	Mr. In Channy
6. EVP & CFO (ex officio)	Mr. Chhay Soeun
7. SVP & Head of Credit Division (ex officio)	Mr. In Siphann
8. VP & Manager, Phnom Penh/Kandal Provincial Branch	Mr. Prum Sang

Issues and activities for 2007

The Board Credit Committee met four times during the year with all members present.

2007 was another year of rapid growth in which the loan portfolio increased by 98.4% over the previous year end to reach US\$310.7 million. In spite of this the portfolio quality improved with the Non-Performing Loans to Total Loans ratio falling to 0.06% compared to the previous record low of 0.10% at the end of 2006. The write-off rate was a negative 0.06% as loan recoveries during the year exceeded fresh write-offs. It is satisfying to report that all branches and units across the board contributed to these good results and that there were no significant concerns with portfolio quality in any of the different credit product segments.

During the year the bank has been in full compliance with all limits set in the credit policy except for the Public Housing Loans, as noted below. The Large Exposure to Net Worth ratio was 'nil' while loans to related parties were 5.25% of the bank's net worth or 0.83% of the total portfolio.

Specific activities undertaken during 2007 were:

- The committee updated the Credit Policy relating to interbank transactions to recognise the changes taking place in the nature of our business with financial counterparties and to allow more flexibility in handling trade finance dealings with other banks.
- The Credit Scoring project mentioned last year was piloted for the Medium Loan segment early in 2007 and whilst initial results are encouraging development work is continuing to attune it more to the particular needs of the portfolio.
- The Credit Division completed a reclassification of the portfolio by 'business' sectors to make it more appropriate to the increasing diversity of customers' activities and to provide a more meaningful database.
- The Public Housing Loans have proved extremely popular and now represent 12.8% of the total portfolio. To accommodate this the Committee approved a temporary increase of the 10% cap and will review this early in the new year to ensure that this business can continue to expand without creating an overconcentration.
- In the face of the unprecedented real estate boom currently affecting Cambodia the Committee is closely monitoring both the direct and indirect exposure of the portfolio to property.
- The banks' credit appraisal methodology for the relatively new corporate lending is under review to ensure that it is more appropriate to this type of business. At the same time, emphasis is being given to loan documentation training for the staff as internal audit has revealed some shortcomings in this area due mainly to the rapid growth.
- The environment, anti-terrorism and anti-money laundering policies were updated during the year to ensure that the bank remains in line with international best practice.

International Committee (INCO)

Scope and purpose

The committee is responsible for providing strategic direction to the bank's international affairs by:

- i) monitoring and analysing global events and trends;
- ii) identifying international opportunities and threats;
- iii) developing appropriate strategies for board approval;
- iv) overseeing the implementation of such strategies, and;
- v) directing and co-ordinating the bank's general activities to achieve the maximum benefit from its international relationships.

Members

1. Board Member (Chair)	Drs. Peter Kooi
2. Board Member	Mr. Chea Sok
3. Board Member	Mr. John Brinsden
4. Board Member	Mr. Joseph J. Hoess
5. President & CEO	Mr. In Channy
6. SVP & Head of Legal Division and Company Secretary	Mr. Prom Visoth

The above shall be known as 'the permanent members'.

From time to time the Committee may also co-opt other individuals ('the temporary members') to serve on an 'ad hoc' basis for specific purposes and terms as they deem necessary.

The Committee may also invite members of the staff with appropriate skills and responsibilities to participate or advise on its activities.

Issues and Activities of 2007

INCO met eight times during the year with a 100% attendance record by all permanent members. Members of the committee undertook a number of visits to neighbouring countries to build relationships in the ASEAN region and to identify possible future strategic initiatives.

The Committee spent considerable time in supporting expansion in Lao PDR. A Shareholders' Agreement for the establishment of ACLEDA Bank (Lao) was signed between ACLEDA Bank Plc, FMO, Triodos Fair Share Fund and Triodos Doen in September, 2007. A preliminary banking license was received in December 2007 and ACLEDA Bank (Lao) expects to become operational in May, 2008.

Members of the Committee have been active participants in various international business associations, committees and groups of which the bank is a member and met with a number of international delegations from the private and public sector.

The committee supported the Financial Institutions Unit in developing ACLEDA's correspondent banking network, both qualitatively and quantitatively, which has grown from 54 banks in 46 countries at the end of 2006 to 85 correspondent banks in 48 countries by the end of 2007. The total number of overseas corresponding branches increased from 615 in the same period to 790. This expansion has led to a substantial increase in our export trade finance from a total sales volume of US\$22.8 million in 2006 to US\$53.3 million in 2007. On February 01, 2007, the bank signed an agreement with IFC to facilitate ACLEDA's trade finance operations worldwide.

As part of its International Visitor Programme to promote the development of microfinance ACLEDA hosted 18 international visitors from Vietnam, Pakistan, Japan and Laos during 2007.



Staff of ACLEDA Bank Lao Ltd.

Environmental and Social Data at a Glance

Absolute amounts/FTE (Full Time Equivalent)¹

ENVIRONMENTAL PERFORMANCE INDICATORS

	2007	2006	2005
Materials			
Paper in kg/FTE	23.30	25.44	38.92
Tissue in kg/FTE	1.48	1.30	1.23
Waste paper in kg/FTE	2.61	2.32	3.18
Energy			
Electricity in kWh/FTE	741.34	510.44	535.83
Gasoline in l/FTE	78.31	96.36	111.56
Diesel in l/FTE	44.00	45.66	40.43
Lubricant in l/FTE	3.19	4.03	4.54
Gas in kg/FTE	0.45	0.53	0.78
Emission of CO₂ (equivalents – in thousands of kg)²			
Electricity	1,605	793	688
Gasoline	734	648	621
Diesel	476	354	259
Water			
Water in m ³ /FTE	24.02	26.62	30.29
Business Travel			
By car in km/FTE	337.46	335.02	-
By motorcycle in km/FTE	3,479.21	4,336.23	-

SOCIAL PERFORMANCE INDICATORS

Employment			
Number of staff	4,401	3,028	2,484
Male	3,164	2,265	1,918
Female	1,237	763	566
Number of staff (FTE)	3,937	2,825	2,335
Training and Education			
Training - career development and refresher programs	1,178	950	4,084
Training new recruits - induction program	1,714	686	562
Provide training to external students - local	654	638	282
Provide training to external students - international	4	12	9
Customers' Living Standards			
Percentage of our loan customers whose income per capita is below the poverty line ³	7.79%	14.52%	-

¹ Full Time Equivalents: average number of full-time co-workers during the year.

² The CO₂ equivalents are based on the Greenhouse Gas Protocol calculation principles.

³ According to the World Bank's Poverty Assessment (2006), Cambodian poverty line was approximately US\$0.45/day per person.

Environmental and Social Sustainability Report

Environmental and social sustainability mission statement

ACLEDA Bank is committed to achieving strong, sustainable financial returns, while respecting the environment and community within which we live. We subscribe 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.

The key elements of ACLEDA Bank's Environmental and Social Sustainability mission are:

1. To provide a framework of guidelines within which ACLEDA Bank can operate in a sustainable manner so that our impact on the environment, society and the community in which we operate is managed in a responsible way.
2. To continue to introduce energy efficient systems into our buildings and to manage sensibly our energy requirements wherever we operate.
3. To honour the society in which we live and actively work to promote an inclusive culture embracing not just shareholders and staff, customers, and business partners but respect for the individual within our community.
4. To recognise that supporting the community is not just morally sound but good for business as well – our 'good health' and prosperity are mutually interdependent.

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.

The Bank employs two full time Environmental Officers who regularly undertake training and refresher courses to coordinate ACLEDA's environmental activities and monitor performance.

Environmental Performance Indicators

In order to establish baselines for the measurement of our efforts to reduce our environmental impact, in 2005 we introduced a tracking system for resource usage. The results are given under their respective headings below and will be used to benchmark our future performance.

Paper usage

In 2007, paper usage was cut by 8.41% while waste paper (recycled) rose by 12.50% per co-worker compared to 2006. This was mainly due to increased use of electronic data storage and the sending of information by e-mail and our internal intranet. Additionally all staff have been trained to use double side printing and to recycle single sided documents.

	2007	2006	2005
Materials			
Paper in kg/FTE	23.30	25.44	38.92
Waste (recycled)			
Waste paper in kg/FTE	2.61	2.32	3.18

Energy consumption

Electricity consumption per co-worker increased by 45.24% in 2007 because of the increasing use of technology and the number of new offices connected to the grid (as opposed to relying on generators). This last point is reflected in a reduction in gasoline consumption per co-worker by 18.73% and diesel by 3.64% compared to 2006 assisted by the opening of new offices closer to our customers in the rural areas reducing the need for travel. Lubricant and Gas consumption were also cut in 2007 by 20.84% and 15.09% compared to 2006.

	2007	2006	2005
Energy			
Electricity in kWh/FTE	741.34	510.44	535.83
Gasoline in l/FTE	78.31	96.36	111.56
Diesel in l/FTE	44.00	45.66	40.43
Lubricant in l/FTE	3.19	4.03	4.54
Gas in kg/FTE	0.45	0.53	0.78
Emission of CO₂ (equivalents - in thousands of kg)			
Electricity	1,605	793	688
Gasoline	734	648	621
Diesel	476	354	259

The CO₂ equivalents above refer to the Greenhouse Gas Protocol Calculation principles.

Means of reducing the per capita consumption of electricity will be a priority for 2008.

Water

Water consumption was cut by 9.77% in 2007 compared to 2006 because usage is monitored and water saving procedures are being implemented with storage and recycling of rain water, especially during the monsoon season, to reduce the off-take from the mains which rely on rivers, reservoirs and bores. An underground water storage and treatment tank is provided for in the new headquarters feeding directly off the roof and building.

	2007	2006	2005
Water			
Water in m ³ /FTE	24.02	26.62	30.29

Business Travel

In 2007, the total distance travelled by car rose by 0.73% whilst motorcycle use was reduced by 19.76%. The explanation for this is that *i)* the opening of more rural branches entails more travel between branches, and, *ii)* for safety and security reasons the bank is phasing down the use of motorcycles in favour of cars.

	2007	2006	2005
Business Travel			
By car in km/FTE	337.46	335.02	-
By motorcycle in km/FTE	3,479.21	4,336.23	-

Social Sustainability

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 equality in all our dealings with the public in general and customers and staff alike. Above all, ACLEDA Bank has practiced from the very beginning 'zero tolerance' of corruption both internally and externally and transgressions are dealt with summarily.

The following are key principles in ACLEDA's corporate social responsibility policy:

Staff

- ACLEDA is an 'equal opportunity' employer. 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 or physical disability.
- ACLEDA Bank aims to be the most progressive employer in Cambodia providing medical, pension and other benefits such as personal and housing loan schemes and an employee share ownership program 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.
- 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 and respect for human rights (see 'Compliance and Ethics Committee' report on page 38).
- 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.
- Following from the above, the staff are represented by a self elected Staff Representative Committee, which excludes management, and a Staff Sports Committee, to promote healthy recreation and good fellowship. At its headquarters, the bank provides a clinic under the care of a full time doctor and a full time nurse. Occupational Health and Safety working practices are part of the training provided to all employees under the doctor's supervision. A Health and Safety Policy under the direct responsibility of the Senior Vice President & Head of Human Resources Division is in place which includes a policy for the support of our staff and their families with HIV/AIDS.

	2007	2006	2005
Employment			
Number of staff	4,401	3,028	2,484
Male	3,164	2,265	1,918
Female	1,237	763	566
Number of staff (FTE)	3,937	2,825	2,335
Training and Education			
Training - career development and refresher programs	1,178	950	4,084
Training of new recruits - induction program	1,714	686	562
Provide training to external students - local	654	638	282
Provide training to external students - international	4	12	9

Community

ACLEDA recognises that playing our part as good citizens in the community in which we abide is vital to our mutual interests and prosperity. Major initiatives we are taking are:

- Developing and offering appropriate products and services carefully selected and developed for the particular needs of Cambodian society. In 2006 the bank launched a housing loan scheme, with interest rates fixed for up to 10 years to enable Cambodian people, especially in the lower wealth segment, to purchase their own homes.
- 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. The expansion of our 24 hours a day/7 days a week ATM network to all provinces in 2008 will enable our customers to access their funds at their own convenience irrespective of the normal opening hours of the bank or national holidays.
- During 4th – 31st January, 2008, we conducted our annual survey on our micro, small and medium loan customers' living standards to test the impact of our credit services. This involved 2,100 accounts randomly selected from our loan customers of whom 1,451 were micro loans, 500 were small loans and 149 from medium loan clients, as a proportion of our total loan customers. The responses indicated that across all sectors approximately 89.2% considered that their wealth had increased as a result of credit provided by ACLEDA Bank, 7.4% did not detect any noticeable change either way while 3.4% had the perception that they were worse off than before.

	2007	2006	2005
Income Situation			
Growth	89.2%	93.3%	90.0%
Stability	7.4%	6.2%	7.5% - 9.5%
Reduced	3.4%	0.5%	1.1% - 2.3%

Whilst these results show a disappointing decline from recent years, our analysis indicates that the economy is at least partly responsible with a sharp rise in inflation in the last quarter of 2007 and an estimated reduction of 1.2% in GDP growth. Nevertheless, it is a matter of real concern to a bank like ours and further investigation will be undertaken in 2008 to obtain more specific information as to the underlying causes.

The survey also reveals that whilst in 2006 14.52% of ACLEDA loan customers were below the poverty line, according to their income per capita by the end of 2007, this had fallen to 7.79%. We believe this is an indication that the loans ACLEDA Bank provides to its customers not only helps to promote sustainable family business, but it also helps to improve living standards of the customers in urban and rural areas, as well as contributes to reducing poverty.

	2007	2006	2005
Income per capita under poverty line	7.8%	14.5%	-

- Incorporated into our policies are strictures against overselling or encouraging customers to over commit themselves or buy inappropriate products or services. As a matter of principle, ACLEDA does not impose mandatory savings requirements on its customers.
- Transparency and 'truth in advertising' are strictly enforced when developing promoting and selling our products and services and full and detailed information is provided through brochures, our website and other promotional material.
- ACLEDA practices equality in its lending irrespective of gender or race: 59% of our borrowing customers are female.
- Customer confidentiality is inculcated in all our staff during induction training and transgressions are treated as a serious offence.
- Recognising the particular problem of disability in Cambodia, ACLEDA is taking into account the special needs of the disabled when constructing new, or renovating old, offices.
- As a commercial organisation ACLEDA does not receive subsidies but may on occasion, and where appropriate, receive financial support to provide non-commercial services such as workshops for external trainees.
- ACLEDA does not ally itself to any particular political parties or creeds but seeks to cooperate and work in harmony with the elected government of the day. To this end the bank regularly participates in meetings with senior officials through industry associations, business forums, chambers of commerce and other group activities. Individual meetings with officials are conducted with transparency and important matters are minuted. ACLEDA has strict rules governing 'undue entertainment' or other activities which might be open to question on the grounds of probity, including the provision of banking services at non-commercial rates ('policy lending').
- To assist the development of microfinance ACLEDA provided 654 internships for local students and 4 for international students from England, Japan, Russia, and France.



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 2007.

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 its 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 Bank's license was renewed for an indefinite period on 28 November 2006. The registered office of the Bank is located at No 61, Preah Monivong Boulevard, Sangkat Srah Chork, Khan Daun Penh, 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 2007 amounted to US\$9,738,918 (2006: US\$6,668,443).

On 25 May 2007, dividends amounting to US\$2,666,999 (2006: US\$1,682,200) were declared and paid from the Bank's net income for the year ended 31 December 2006.

Principal Activities

The Bank operates under regulation by the Central Bank with special focus on providing lending and other banking services to the citizenry and small and medium size enterprises, 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. Joseph J. Hoess**
- **Mr. Peter Kooi**
- **Ms. Jutta Wagenseil**
- **Mr. Eric Rajendra** (resigned in October 2007)
- **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**, President and Chief Executive Officer
- **Mr. Chhay Soeun**, Executive Vice President and Chief Finance Officer
- **Mr. Rath Yumeng**, Senior Vice President and Head of Finance Division
- **Mrs. So Phonnary**, Senior Vice President and Head of Marketing Division
- **Mr. Cheam Teang**, Senior Vice President and Head of Treasury Division
- **Mr. Chan Serey**, Senior Vice President and Head of Human Resources Division
- **Mr. Mach Terry**, Senior Vice President and Head of IT Division
- **Mr. Prom Visoth**, Senior Vice President, Head of Legal Division and Company Secretary
- **Mrs. Kim Sotheavy**, Senior Vice President and Head of Internal Audit Division
- **Mr. In Siphann**, Senior Vice President and Head of Credit Division

- **Mr. Ly Thay**, Senior Vice President and Head of Operations Division
- **Mr. Nay Soksamnang**, Senior Vice President and Head of Division for Branch Administration
- **Mr. Ung Sam Ol**, Senior Vice President and Head of Trade Finance Division

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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2007 and its financial performance and its cash flows for the period then ended. In preparing these financial statements, the Board of Directors is required to:

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

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



Mr. In Channy
President and Chief Executive Officer
Phnom Penh, Kingdom of Cambodia
Date: 21 March 2008

Approval of the Financial Statements

The accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards were approved by the Board of Directors.

On behalf of the Board of Directors



Chea Sok
Chairman
Phnom Penh, Kingdom of Cambodia
Date: 21 March 2008



Independent Auditor's Reports



Independent Auditor's Report

To the Shareholders of ACLEDA Bank Plc.

We have audited the accompanying financial statements of ACLEDA Bank Plc. ("the Bank") which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes on pages 52 to 94.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Limited

By  **Senaka Fernando**
Director



Phnom Penh, Kingdom of Cambodia
Date: 21 March 2008

Income Statement

For the year ended 31 December 2007

	Note	31 December		31 December	
		2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Interest income	3	52,724,561	32,900,176	211,056,418	133,476,014
Interest expense	4	(11,496,954)	(6,296,360)	(46,022,307)	(25,544,333)
Net interest income		41,227,607	26,603,816	165,034,111	107,931,681
Fee and commission income	5	4,866,581	2,504,369	19,480,924	10,160,225
Fee and commission expense		(545,652)	(206,293)	(2,184,245)	(836,931)
Net fee and commission income		4,320,929	2,298,076	17,296,679	9,323,294
Other operating income	6	1,835,490	1,621,381	7,347,466	6,577,943
Foreign exchange gain, net		156,845	177,719	627,850	721,006
General and administrative expenses	7	(33,822,003)	(21,823,100)	(135,389,478)	(88,536,317)
Operating profit before extensions of credit		13,718,868	8,877,892	54,916,628	36,017,607
Provision for loan losses	12 (f)	(1,441,106)	(517,178)	(5,768,747)	(2,098,191)
Profit before income tax		12,277,762	8,360,714	49,147,881	33,919,416
Income tax expense	8	(2,538,844)	(1,692,271)	(10,162,993)	(6,865,543)
Profit for the year		9,738,918	6,668,443	38,984,888	27,053,873



The accompanying notes on pages 56 to 94 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2007

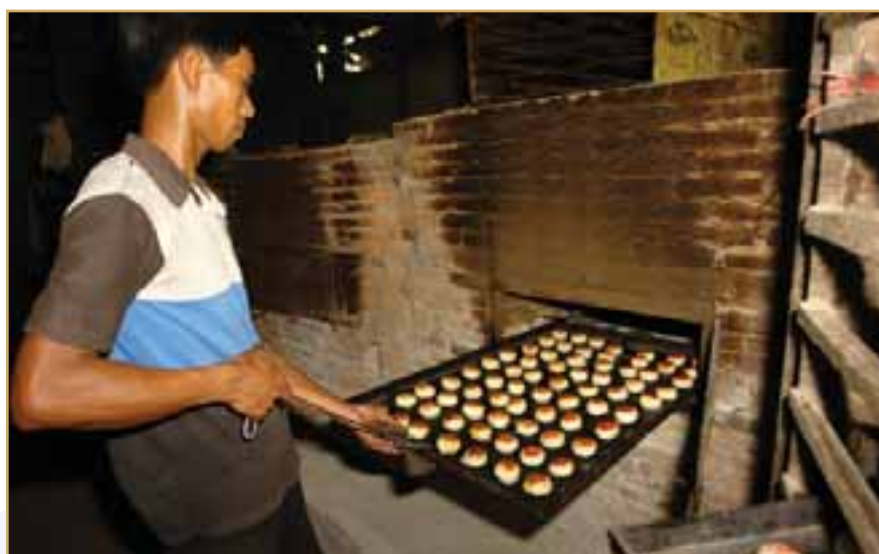
		31 December		31 December	
	Note	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
ASSETS					
Cash on hand		48,526,160	18,877,574	194,250,218	76,586,318
Balances with other banks and financial institutions	9	10,058,643	2,219,568	40,264,748	9,004,787
Placements with other banks and financial institutions	10	11,241,690	10,700,243	45,000,485	43,410,886
Balances with the Central Bank	11	72,437,822	20,275,615	289,968,601	82,258,170
Loans and advances to customers	12	310,681,263	156,570,764	1,243,657,096	635,207,590
Property and equipment	13	12,218,219	8,567,286	48,909,532	34,757,480
Computer software	14	1,691,255	1,159,183	6,770,094	4,702,804
Other assets	15	6,198,293	4,632,845	24,811,767	18,795,452
Deferred income tax assets	16	-	199,217	-	808,223
Total assets		473,053,345	223,202,295	1,893,632,541	905,531,710
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	17	344,533,315	123,149,783	1,379,166,860	499,618,670
Accruals and other liabilities	18	12,500,016	4,636,173	50,037,564	18,808,953
Deferred income tax liabilities	16	42,986	-	172,073	-
Current income tax liabilities		1,784,363	1,522,543	7,142,805	6,176,957
Borrowings	19	44,830,937	39,480,348	179,458,241	160,171,772
Senior debt	20	6,242,359	6,047,319	24,988,163	24,533,973
Subordinated debt	21	13,241,055	5,152,156	53,003,944	20,902,297
Staff pension liabilities	22	225,935	633,513	904,418	2,570,162
Total liabilities		423,400,966	180,621,835	1,694,874,068	732,782,784
SHAREHOLDERS' EQUITY					
Share capital	23	30,000,000	30,000,000	120,090,000	121,710,000
Reserves		9,913,461	5,912,017	39,683,584	23,985,053
Retained earnings		9,738,918	6,668,443	38,984,889	27,053,873
Total shareholders' equity		49,652,379	42,580,460	198,758,473	172,748,926
Total liabilities and shareholders' equity		473,053,345	223,202,295	1,893,632,541	905,531,710

The accompanying notes on pages 56 to 94 form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2007

	Share capital US\$	General reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2006	13,000,000	3,389,544	4,204,673	20,594,217
Dividend relating to 2005 profit	-	-	(1,682,200)	(1,682,200)
Transfer to general reserve	-	2,522,473	(2,522,473)	-
Profit for the year	-	-	6,668,443	6,668,443
Additional share issued	9,850,000	-	-	9,850,000
Conversion from debt to share	7,150,000	-	-	7,150,000
Balance at 31 December 2006	30,000,000	5,912,017	6,668,443	42,580,460
In Riel'000 equivalents (Unaudited)	121,710,000	23,985,053	27,053,873	172,748,926
Balance at 1 January 2007	30,000,000	5,912,017	6,668,443	42,580,460
Dividend relating to 2006 profit	-	-	(2,666,999)	(2,666,999)
Transfer to general reserve	-	4,001,444	(4,001,444)	-
Profit for the year	-	-	9,738,918	9,738,918
Balance at 31 December 2007	30,000,000	9,913,461	9,738,918	49,652,379
In Riel'000 equivalents (Unaudited)	120,090,000	39,683,584	38,984,889	198,758,473



The accompanying notes on pages 56 to 94 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2007

	Note	31 December		31 December	
		2007	2006	2007	2006
		US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
Cash flows from operating activities					
Cash used in operations	26	90,245,523	12,592,641	361,252,828	52,711,143
Income tax paid		(2,034,819)	(1,229,689)	(8,145,380)	(4,988,848)
Net cash used in operating activities		88,210,704	11,362,952	353,107,448	47,722,295
Cash flows from investing activities					
Reserve deposit with the Central Bank		(12,610,007)	(2,894,007)	(50,477,858)	(11,740,986)
Statutory deposit with the Central Bank		(10,000,000)	(1,700,000)	(40,030,000)	(6,896,900)
Fixed deposits with other banks		2,494,652	(6,189,348)	9,986,092	(25,110,185)
Purchases of intangible assets		(864,160)	(811,333)	(3,459,232)	(3,291,578)
Purchases of property and equipment		(4,916,205)	(4,616,326)	(19,679,569)	(18,728,435)
Proceeds from sales of property and equipment		77,387	43,441	309,780	176,240
Net cash used in investing activities		(25,818,333)	(16,167,573)	(103,350,787)	(65,591,844)
Cash flows from financing activities					
Payment of dividends		(2,666,999)	(1,682,200)	(10,675,997)	(6,824,685)
Repayment of borrowings		(18,988,009)	(11,000,000)	(76,009,000)	(44,627,000)
Proceeds from borrowings		29,338,597	31,480,348	117,442,404	127,715,772
Proceeds from issuance of shares		-	9,850,000	-	39,961,450
Net cash from financing activities		7,683,589	28,648,148	30,757,407	116,225,537
Net increase in cash and cash equivalents		70,075,960	23,843,527	280,514,068	98,355,988
Cash and cash equivalents at the beginning of the year		36,870,159	13,026,632	149,582,234	42,506,736
Currency translation at balance sheet date		-	-	(1,990,988)	8,719,510
Cash and cash equivalents at end of the year	25	106,946,119	36,870,159	428,105,314	149,582,234

The accompanying notes on pages 56 to 94 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2007

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.

On 28 November 2006, the Central Bank renewed the banking license of the Bank for an indefinite period. The renewed license also allows the Bank to carry out commercial banking operations at No 61, Preah Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia which is the main registered office of the Bank which is completed by 30 March 2007. On 11 June 2007, Ministry of Commerce has also registered the new office for the Bank.

The Bank operates under regulation by the Central Bank with special focus on providing lending and other banking services to the citizenry and small and medium enterprises and to engage in all other activities which the Board believes support this objective.

As at 31 December 2007, the Bank had 4,401 employees (2006: 3,028 employees).

Subsidiary in Laos

On 13 December 2007 the Bank received a preliminary license from the Bank of Laos, central bank in the People's Democratic Republic of Laos, for the establishment of ACLEDA Bank (Laos) Ltd. ACLEDA Bank (Laos) Ltd. will be owned by ACLEDA Bank Plc (Cambodia) 47.5%, FMO from (The Netherlands) 30%, Triodos-Doen (The Netherlands) 11.25%, and Triodos Fair Share Fund from (The Netherlands) 11.25% and shall have registered capital of 100 billion Kips equivalent to approximately US\$11,184,000 as at the date of this report. Such registered capital will be paid up on receipt of formal license.

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 accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards. The accounting principals applied may differ from generally accepted accounting principals adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices. The financial statements have been prepared in United States dollars ("US\$") using the historical cost convention.

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the Central Bank, a translation to Khmer Riel is provided for the balance sheet, income statement, statement in changes in shareholders equity, cash flow statement and notes to the financial statements as of and for the year ended 31 December 2007 using the official rate of exchange regulated by the National Bank of Cambodia as at the reporting date which was US\$1 to Riel 4,003 (2006: US\$1 to Riel 4,057). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that rate or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 US\$ reflects the economic substance of underlying events and circumstances of the Bank. The financial statements are presented in US\$, which is the Bank's functional and presentation currency.

b) Transactions and balances

Transactions in currencies other than US\$, the functional 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	
	2007	2006
Riel	4,003	4,057
THB	30.56	36.22
EURO	0.68	0.76

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.

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 except loan processing fee is recognised when the transaction occurs. Fees and commissions comprise income received from inward and outward bank transfers, bank guarantees, letters of credit and bills for collection.

Loan processing fees are recognised in the income statement over the period of loans and advances to customers. Unamortised loan fee is presented as reduction to loans and advances to customers. Loan processing fees were previously recognised as income when incurred. No restatement of prior year's accounts is made as the amount was not material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amended 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 of 1% (2006: 1.17%) on the total loans and advances outstanding, net of the specific provision. The general provision rate is computed based on past five years weighted average of the loan write off rate.

2.7 Overdue loans

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

2.8 Property and equipment

Property and equipment is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Building	20
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 licences 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 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, including: cash on hand, travelers cheques, term deposit and clearing accounts with the Central Bank.

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 leases

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 15% (2006: 10%) and 7.5% (2006: 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 2005, the Bank contributed interest only on the portion of pension fund contributed by employees at an interest rate of 8% 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 22).

The changes in Bank's contribution rate applied prospectively from the date of the change.

2.14 General reserve

A general reserve is set up for any 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 the prior year's net profit after dividend payment to shareholders is transferred to this general reserve.

2.15 Related parties

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.

2.16 Subordinated debt

Subordinated debt is treated as part of the Bank's liabilities and included in Bank's Net Worth's computation under the Central Bank's regulations. Foreign exchange differences on the subordinated debt of the Bank are taken through income statement.

2.17 Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation of the financial statements.

3. INTEREST INCOME

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Loans and advances to customers	50,254,649	32,473,602	201,169,360	131,745,403
Placements with other banks	2,469,912	426,574	9,887,058	1,730,611
	<u>52,724,561</u>	<u>32,900,176</u>	<u>211,056,418</u>	<u>133,476,014</u>

4. INTEREST EXPENSE

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Deposits from customers	6,429,404	2,513,296	25,736,904	10,196,442
Subordinated debt	435,835	770,528	1,744,648	3,126,032
Senior debt	639,680	417,267	2,560,639	1,692,852
Non-resident banks and finance institutions	3,157,907	2,332,883	12,641,102	9,464,506
Resident banks and finance institutions	685,500	193,154	2,744,056	783,626
Others	148,628	69,232	594,958	280,875
	<u>11,496,954</u>	<u>6,296,360</u>	<u>46,022,307</u>	<u>25,544,333</u>

5. FEE AND COMMISSION INCOME

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Fees from services provided	3,301,714	1,674,816	13,216,761	6,794,729
Loan processing fees	1,114,069	743,159	4,459,618	3,014,996
Other income	450,798	86,394	1,804,545	350,500
	<u>4,866,581</u>	<u>2,504,369</u>	<u>19,480,924</u>	<u>10,160,225</u>

6. OTHER OPERATING INCOME

	2007	2006	2007	2006
	US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
Bad loans recovered	311,114	354,447	1,245,389	1,437,990
Penalty fee received from late payments	1,167,758	729,483	4,674,536	2,959,514
Gain on disposal of property and equipment	75,196	35,889	301,009	145,602
Others	281,422	501,562	1,126,532	2,034,837
	<u>1,835,490</u>	<u>1,621,381</u>	<u>7,347,466</u>	<u>6,577,943</u>

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006	2007	2006
	US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
Salaries and wages	13,617,344	10,047,311	54,510,228	40,761,941
Other staff benefits	5,777,432	3,190,099	23,127,060	12,942,232
Depreciation (note 13)	1,262,872	1,123,843	5,055,276	4,559,431
Rental, repairs and maintenance	4,338,162	2,058,155	17,365,662	8,349,935
Telecommunication and utilities	1,845,317	1,174,454	7,386,804	4,764,760
Office supplies	1,479,717	917,143	5,923,307	3,720,849
Travelling related expenses	790,559	556,369	3,164,608	2,257,189
Furniture and fixture expenses	1,189,123	604,738	4,760,059	2,453,422
Training expenses	518,340	412,378	2,074,915	1,673,018
Professional fees	167,604	191,131	670,919	775,418
Insurance and security expenses	169,843	22,329	679,882	90,589
Amortisation (note 14)	332,088	298,180	1,329,349	1,209,716
Marketing expenses	702,859	312,620	2,813,545	1,268,299
Other operating expenses	1,630,743	914,350	6,527,864	3,709,518
	<u>33,822,003</u>	<u>21,823,100</u>	<u>135,389,478</u>	<u>88,536,317</u>

8. TAXATION

a) Income tax expense

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Current	2,296,641	1,674,593	9,193,454	6,793,824
Deferred tax (note 16)	242,203	17,678	969,539	71,720
	<u>2,538,844</u>	<u>1,692,271</u>	<u>10,162,993</u>	<u>6,865,543</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.

b) Reconciliation between income tax expense and accounting profit

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Profit before taxation	12,277,762	8,360,714	49,147,881	33,919,417
Non deductible expenses (withholding tax on dividend)	416,456	100,639	1,667,073	408,292
Taxable income	12,694,218	8,461,353	50,814,954	34,327,709
Tax on Profit rate	20%	20%	20%	20%
Tax charge for the year	<u>2,538,844</u>	<u>1,692,271</u>	<u>10,162,993</u>	<u>6,865,543</u>

c) Other tax matter

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

9. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
<i>Current accounts:</i>				
Banks inside Cambodia	274,561	46,257	1,099,068	187,664
Banks outside Cambodia	9,784,082	2,173,311	39,165,680	8,817,123
	<u>10,058,643</u>	<u>2,219,568</u>	<u>40,264,748</u>	<u>9,004,787</u>

Current accounts do not earn interest.

10. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Overnight placements	7,518,994	4,482,895	30,098,533	18,187,105
Fixed deposits	3,722,696	6,217,348	14,901,952	25,223,781
	<u>11,241,690</u>	<u>10,700,243</u>	<u>45,000,485</u>	<u>43,410,886</u>

The annual interest rates that were in operation during the year by type are as follows:

	2007	2006
Overnight placement	0.920% - 5.280%	2.100% - 5.090%
Fixed deposits	4.076% - 5.725%	4.885% - 5.375%

11. BALANCES WITH THE CENTRAL BANK

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
<i>Current accounts:</i>				
Riel	1,838,697	318,920	7,360,303	1,293,859
US\$	6,003,625	2,971,202	24,032,511	12,054,166
Statutory deposit	3,000,000	3,000,000	12,009,000	12,171,000
Reserve account	18,595,500	5,985,493	74,437,787	24,283,145
Fixed deposits	43,000,000	8,000,000	172,129,000	32,456,000
	<u>72,437,822</u>	<u>20,275,615</u>	<u>289,968,601</u>	<u>82,258,170</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\$3,000,000 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 cease its operations in Cambodia.

The 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 26,434,423 thousand held by the Bank as at 31 December 2007 (2006: Riel 13,374,988 thousand) to be deducted from the required reserves.

The annual interest rates that were in operation during the year on balances with the Central Bank are summarised as follows:

	2007	2006
Current accounts	0%	0%
Statutory deposit	1.99% - 2.02%	1.76% - 2.11%
Reserve account	0%	0%
Fixed deposits	3.49% - 4.38%	3.53% - 4.10%

12. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by type of loans

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Commercial loans				
Short-term loans	84,690,903	60,033,554	339,017,685	243,556,129
Long-term loans	212,881,462	87,924,615	852,164,491	356,710,163
Overdrafts	7,284,441	5,230,450	29,159,617	21,219,936
Related party loans	2,607,430	384,795	10,437,544	1,561,113
Personal loans	7,609,759	4,890,527	30,461,865	19,840,868
	<u>315,073,995</u>	<u>158,463,941</u>	<u>1,261,241,202</u>	<u>642,888,209</u>
Provision for loan losses				
Specific provision	55,572	39,611	222,455	160,702
General provision	3,150,184	1,853,566	12,610,188	7,519,917
	<u>3,205,756</u>	<u>1,893,177</u>	<u>12,832,643</u>	<u>7,680,619</u>
	311,868,239	156,570,764	1,248,408,559	635,207,590
Unamortised loan fee	(1,186,976)	-	(4,751,463)	-
	<u>310,681,263</u>	<u>156,570,764</u>	<u>1,243,657,096</u>	<u>635,207,590</u>

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

Related party loans including loans to the President, head of departments and other internal auditor were unsecured, granted in US\$ for a maximum term of five years with an interest rate of 12% per annum.



12. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Standard loans				
Secured	307,935,090	152,132,020	1,232,664,165	617,199,606
Unsecured	6,940,439	6,177,993	27,782,577	25,064,118
Substandard loans				
Secured	55,709	39,654	223,001	160,876
Unsecured	2,787	3,798	11,158	15,408
Doubtful loans				
Secured	106,298	101,371	425,512	411,262
Unsecured	22,627	6,072	90,578	24,634
Losses				
Secured	9,437	1,375	37,776	5,578
Unsecured	1,608	1,658	6,435	6,727
	<u>315,073,995</u>	<u>158,463,941</u>	<u>1,261,241,202</u>	<u>642,888,209</u>
Provision for loan losses				
Specific provision	55,572	39,611	222,455	160,702
General provision	3,150,184	1,853,566	12,610,188	7,519,917
	<u>3,205,756</u>	<u>1,893,177</u>	<u>12,832,643</u>	<u>7,680,619</u>
	311,868,239	156,570,764	1,248,408,559	635,207,590
Unamortised loan fee	(1,186,976)	-	(4,751,463)	-
	<u>310,681,263</u>	<u>156,570,764</u>	<u>1,243,657,096</u>	<u>635,207,590</u>

12. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Analysis by type of industry

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Commerce	184,898,284	94,211,583	740,147,831	382,216,392
Service	80,579,354	38,454,439	322,559,155	156,009,659
Manufacturing	14,161,746	7,969,259	56,689,469	32,331,284
Agriculture	35,434,611	17,828,660	141,844,747	72,330,874
	<u>315,073,995</u>	<u>158,463,941</u>	<u>1,261,241,202</u>	<u>642,888,209</u>
Provision for loan losses				
Specific provision	55,572	39,611	222,455	160,702
General provision	3,150,184	1,853,566	12,610,188	7,519,917
	<u>3,205,756</u>	<u>1,893,177</u>	<u>12,832,643</u>	<u>7,680,619</u>
	311,868,239	156,570,764	1,248,408,559	635,207,590
Unamortised loan fee	(1,186,976)	-	(4,751,463)	-
	<u>310,681,263</u>	<u>156,570,764</u>	<u>1,243,657,096</u>	<u>635,207,590</u>

d) Analysis by relationship

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Non-related parties	312,466,565	158,079,146	1,250,803,658	641,327,096
Related parties	2,607,430	384,795	10,437,544	1,561,113
	<u>315,073,995</u>	<u>158,463,941</u>	<u>1,261,241,202</u>	<u>642,888,209</u>
Provision for loan losses				
Specific provision	55,572	39,611	222,455	160,702
General provision	3,150,184	1,853,566	12,610,188	7,519,917
	<u>3,205,756</u>	<u>1,893,177</u>	<u>12,832,643</u>	<u>7,680,619</u>
	311,868,239	156,570,764	1,248,408,559	635,207,590
Unamortised loan fee	(1,186,976)	-	(4,751,463)	-
	<u>310,681,263</u>	<u>156,570,764</u>	<u>1,243,657,096</u>	<u>635,207,590</u>

12. LOANS AND ADVANCES TO CUSTOMERS (continued)

e) Analysis by maturity

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Less than one year	119,382,065	83,840,300	477,886,406	340,140,097
One year and less than three years	119,232,928	67,086,425	477,289,412	272,169,626
Three years and less than five years	29,058,410	3,984,539	116,320,814	16,165,275
Five years and less than ten years	25,529,693	262,633	102,195,361	1,065,502
Ten years or more	21,870,899	3,290,044	87,549,209	13,347,709
	<u>315,073,995</u>	<u>158,463,941</u>	<u>1,261,241,202</u>	<u>642,888,209</u>
Provision for loan losses				
Specific provision	55,572	39,611	222,455	160,702
General provision	3,150,184	1,853,566	12,610,188	7,519,917
	<u>3,205,756</u>	<u>1,893,177</u>	<u>12,832,643</u>	<u>7,680,619</u>
	311,868,239	156,570,764	1,248,408,559	635,207,590
Unamortised loan fee	(1,186,976)	-	(4,751,463)	-
	<u>310,681,263</u>	<u>156,570,764</u>	<u>1,243,657,096</u>	<u>635,207,590</u>



12. LOANS AND ADVANCES TO CUSTOMERS (continued)

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 2006	35,114	1,499,395	1,534,509
Charge for the year	163,007	354,171	517,178
Bad debts written-off	(158,667)	-	(158,667)
Currency translation difference	157	-	157
Balance at 31 December 2006	39,611	1,853,566	1,893,177
Balance at 1 January 2007	39,611	1,853,566	1,893,177
Charge for the year	164,717	1,276,389	1,441,106
Bad debts written-off	(146,019)	-	(146,019)
Currency translation difference	(2,737)	20,229	17,492
Balance at 31 December 2007	55,572	3,150,184	3,205,756

As at 31 December 2007 the Bank provided for a general provision of 1% on the total loans and advances outstanding, net of the specific provision. In the previous year the Bank's general provision was based on a rate of 1.17%.

g) Interest rates

The annual interest rates that were in operation during the year are as follows:

	2007	2006
Overdrafts	12%-30%	14.4%-20%
Staff loans (including related parties)	12%	12%
Staff housing loan	10.52%	9.94%
Public housing loan	11.52%	11.50%
Other loans:	12%-36%	14.4%-42%

13. PROPERTY AND EQUIPMENT

	Land	Building	Office equipment	Motor vehicles	Computer equipment	Leasehold improvements	Assets in construction	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Year ended 31 December 2007								
Opening net book amount	1,328,325	-	224,694	316,679	400,490	75,666	6,221,432	8,567,286
Additions	-	-	643,677	232,950	1,043,041	210,909	2,785,628	4,916,205
Allocations	-	7,503,851	-	-	491,485	5,882	(8,001,218)	-
Disposals, net book amount	-	-	(287)	(20)	(1,257)	(836)	-	(2,400)
Depreciation charge	-	(157,165)	(230,694)	(215,803)	(582,708)	(76,502)	-	(1,262,872)
Closing net book amount	1,328,325	7,346,686	637,390	333,806	1,351,051	215,119	1,005,842	12,218,219
At 31 December 2007								
Cost	1,328,325	7,503,851	1,797,729	2,055,676	3,354,336	464,604	1,005,842	17,510,364
Accumulated depreciation	-	(157,165)	(1,160,339)	(1,721,870)	(2,003,285)	(249,485)	-	(5,292,144)
Net book amount	1,328,325	7,346,686	637,390	333,806	1,351,051	215,119	1,005,842	12,218,219
In KHR'000 equivalents (unaudited)	5,317,286	29,408,785	2,551,473	1,336,226	5,408,258	861,122	4,026,382	48,909,532
At 1 January 2006								
Cost	1,328,325	-	1,243,105	2,047,399	2,092,023	227,460	1,685,517	8,623,829
Accumulated depreciation	-	-	(761,870)	(1,388,015)	(1,277,534)	(114,055)	-	(3,541,474)
Net book amount	1,328,325	-	481,235	659,384	814,489	113,405	1,685,517	5,082,355
Year ended 31 December 2006								
Opening net book amount	1,328,325	-	481,235	659,384	814,489	113,405	1,685,517	5,082,355
Additions	-	-	7,756	-	33,856	33,273	4,541,441	4,616,326
Allocation	-	-	5,526	-	-	-	(5,526)	-
Disposals, net book amount	-	-	(3,930)	(434)	(151)	(3,037)	-	(7,552)
Depreciation charge	-	-	(265,893)	(342,271)	(447,704)	(67,975)	-	(1,123,843)
Closing net book amount	1,328,325	-	224,694	316,679	400,490	75,666	6,221,432	8,567,286
At 31 December 2006								
Cost	1,328,325	-	1,200,876	1,958,127	1,957,926	254,517	6,221,432	12,921,203
Accumulated depreciation	-	-	(976,182)	(1,641,448)	(1,557,436)	(178,851)	-	(4,353,917)
Net book amount	1,328,325	-	224,694	316,679	400,490	75,666	6,221,432	8,567,286
In KHR'000 equivalents (unaudited)	5,389,015	-	911,584	1,284,767	1,624,788	306,977	25,240,349	34,757,480

14. COMPUTER SOFTWARE

	Software US\$	Work in progress US\$	Total US\$
Year ended 31 December 2007			
Opening net book amount	660,767	498,416	1,159,183
Additions	362,093	502,067	864,160
Allocations	924,748	(924,748)	-
Amortisation charge	(332,088)	-	(332,088)
Closing net book amount	1,615,520	75,735	1,691,255
At 31 December 2007			
Cost	3,130,044	75,735	3,205,779
Accumulated amortisation	(1,514,524)	-	(1,514,524)
Net book amount	1,615,520	75,735	1,691,255
In KHR'000 equivalents (unaudited)	6,466,927	303,167	6,770,094
At 1 January 2006			
Cost	1,530,286	-	1,530,286
Accumulated amortisation	(884,256)	-	(884,256)
Net book amount	646,030	-	646,030
Year ended 31 December 2006			
Opening net book amount	646,030	-	646,030
Additions	312,917	498,416	811,333
Allocations	-	-	-
Amortisation charge	(298,180)	-	(298,180)
Closing net book amount	660,767	498,416	1,159,183
At 31 December 2006			
Cost	1,843,203	498,416	2,341,619
Accumulated amortisation	(1,182,436)	-	(1,182,436)
Net book amount	660,767	498,416	1,159,183
In KHR'000 equivalents (unaudited)	2,680,730	2,022,074	4,702,804

15. OTHER ASSETS

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Accrued interest receivable	3,574,337	2,021,263	14,308,071	8,200,264
Prepayments	1,295,209	904,429	5,184,722	3,669,268
Receivables from Western Union	389,091	208,248	1,557,531	844,862
Stationary supplies	143,270	104,993	573,510	425,957
Advance on equipment purchase	623,122	1,211,745	2,494,357	4,916,049
Others	173,264	182,167	693,576	739,052
	<u>6,198,293</u>	<u>4,632,845</u>	<u>24,811,767</u>	<u>18,795,452</u>

16. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax related to the same fiscal authority. The offset amounts are as follows:

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Deferred tax assets				
● To be recovered more than 12 months	(45,187)	(152,934)	(180,884)	(620,453)
● To be recovered within 12 months	(154,382)	(120,768)	(617,991)	(489,956)
	<u>(199,569)</u>	<u>(273,702)</u>	<u>(798,875)</u>	<u>(1,110,409)</u>
Deferred tax liabilities				
● To be recovered more than 12 months	242,555	74,485	970,948	302,186
● To be recovered within 12 months	-	-	-	-
	<u>242,555</u>	<u>74,485</u>	<u>970,948</u>	<u>302,186</u>
Deferred tax liabilities/(assets) (net)	<u>42,986</u>	<u>(199,217)</u>	<u>172,073</u>	<u>(808,223)</u>

16. DEFERRED INCOME TAX (continued)

The gross movement on the deferred income tax account is as follows:

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
As at 1 January	199,217	216,895	808,223	891,872
Utilised during the year (note 8)	(242,203)	(17,678)	(969,539)	(71,720)
Currency valuation	-	-	(10,757)	(11,929)
As at 31 December	<u>(42,986)</u>	<u>199,217</u>	<u>(172,073)</u>	<u>808,223</u>

17. DEPOSITS FROM CUSTOMERS

a) Analysis by category

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Current accounts	48,660,575	20,239,491	194,788,282	82,111,615
Saving deposits	182,323,370	54,504,760	729,840,450	221,125,810
Fixed deposits	110,241,915	47,425,067	441,298,386	192,403,497
Margin deposits	1,010,293	980,465	4,044,203	3,977,748
Trust accounts	2,297,162	-	9,195,539	-
	<u>344,533,315</u>	<u>123,149,783</u>	<u>1,379,166,860</u>	<u>499,618,670</u>

Margin deposits represent the aggregate balance of required non-interest bearing cash deposits from customers for letters of credit and guarantees outstanding at year-end (note 24).

b) Analysis by relationship

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
External parties	341,602,567	120,139,564	1,367,435,076	487,406,212
Related parties:				
Shareholders	437,140	1,333,145	1,749,872	5,408,569
Board of directors	581,218	283,078	2,326,616	1,148,449
Executive Management and head of departments	150,629	-	602,968	-
Staff	1,761,761	1,393,996	7,052,328	5,655,440
	<u>344,533,315</u>	<u>123,149,783</u>	<u>1,379,166,860</u>	<u>499,618,670</u>

17. DEPOSITS FROM CUSTOMERS (continued)

c) Analysis by customers

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Individuals	250,461,379	85,828,941	1,002,596,900	348,208,014
Enterprises	94,071,936	37,320,842	376,569,960	151,410,656
	<u>344,533,315</u>	<u>123,149,783</u>	<u>1,379,166,860</u>	<u>499,618,670</u>

d) Analysis by resident status

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Resident	312,712,967	112,222,350	1,251,790,007	455,286,074
Non-resident	31,820,348	10,927,433	127,376,853	44,332,596
	<u>344,533,315</u>	<u>123,149,783</u>	<u>1,379,166,860</u>	<u>499,618,670</u>

e) Analysis by maturity

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Less than one year	209,683,878	117,705,699	839,364,564	477,532,023
One year and less than three years	130,935,426	4,693,234	524,134,510	19,040,450
Three years and less than five years	1,261,179	213,123	5,048,500	864,639
Five years or more	2,652,832	537,727	10,619,286	2,181,558
	<u>344,533,315</u>	<u>123,149,783</u>	<u>1,379,166,860</u>	<u>499,618,670</u>

f) Interest rates

Annual interest rates that were in operation during the year are as follows:

	2007	2006
Current accounts	0%-1%	0%-2%
Saving deposits	0%-4%	0%-4%
Fixed deposits	3%-8%	3%-8%
Margin deposits	0%	0%

18. ACCRUALS AND OTHER LIABILITIES

	2007	2006	2007	2006
	US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
Accrued interest payable	2,071,294	1,425,422	8,291,390	5,782,937
Bonus	1,672,570	1,066,170	6,695,298	4,325,452
Cheques and fund transfers	6,122,174	1,210,797	24,507,063	4,912,203
Withholding tax	343,089	300,165	1,373,385	1,217,769
Salary tax	339,185	157,939	1,357,758	640,758
Other accruals	1,951,704	475,680	7,812,670	1,929,834
	<u>12,500,016</u>	<u>4,636,173</u>	<u>50,037,564</u>	<u>18,808,953</u>

19. BORROWINGS

	Note	2007	2006	2007	2006
		US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
Related parties:					
FMO	a	4,000,000	1,000,000	16,012,000	4,057,000
IFC	b	6,000,000	7,500,000	24,018,000	30,427,500
Triodos IFM	c	-	5,000,000	-	20,285,000
KfW	d	3,751,805	2,445,100	15,018,475	9,919,771
ACLEDA NGO	e	400,000	-	1,601,200	-
		<u>14,151,805</u>	<u>15,945,100</u>	<u>56,649,675</u>	<u>64,689,271</u>
Non-related parties:					
Blue Orchard MFS	f	10,000,000	10,000,000	40,030,000	40,570,000
Blue Orchard Finance SA	g	-	500,000	-	2,028,500
Micro Finance Securities	h	4,000,000	4,000,000	16,012,000	16,228,000
PlaNet Finance	i	3,697,977	3,119,547	14,803,002	12,656,002
Central Bank	j	9,992,505	5,915,701	39,999,998	23,999,999
Foreign Trade Bank	k	2,988,650	-	11,963,566	-
		<u>30,679,132</u>	<u>23,535,248</u>	<u>122,808,566</u>	<u>95,482,501</u>
		<u>44,830,937</u>	<u>39,480,348</u>	<u>179,458,241</u>	<u>160,171,772</u>

19. BORROWINGS (continued)

a) FMO

On 3 November 2006, the Bank entered into a loan agreement with FMO to borrow US\$10,000,000 with an interest rate calculated by using 6 months LIBOR rate plus a margin of 3.9% per annum. The loan is to be repaid in 16 equal installments of US\$625,000. The first installment will be repaid on 15 October 2008 with the remaining 15 installments to be paid semi-annually thereafter. The principal outstanding is US\$4,000,000 as at 31 Dec 2007.

b) 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 8.87% per annum. The Bank is to repay the loan in eight semi-annual equal installments from 15 June 2006 and ending on 15 December 2009.

On 21 June 2006, the Bank entered into a second credit line agreement with IFC for the amount of US\$5,000,000 with interest rate of 9.11% per annum. The Bank shall repay the loan on the following dates and in the following amounts.

Date Payment Due	Principal Amount Due US\$
1. 15 June 2008	714,286
2. 15 December 2008	714,286
3. 15 June 2009	714,286
4. 15 December 2009	714,286
5. 15 June 2010	714,286
6. 15 December 2010	714,286
7. 15 June 2011	714,284
	<u>5,000,000</u>

The principal outstanding as at 31 December 2007 is US\$6,000,000 (2006:US\$7,500,000).

19. BORROWINGS (continued)

c) Triodos IFM

On the 2 March 2006, 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 2011, with an interest rate of 8.5% per annum.

On 1 November 2007, the Bank converted the loan of US\$3,000,000 into subordinated debt with the consent of Triodos IFM and its related companies, and the maturity date of the loan was drawn no later than 1 April 2013 with an interest rate of 9% per annum.

On the 18 January 2006, the Bank entered into another loan agreement with Triodos IFM and its related companies to borrow the following:

	US\$
Triodos-Doen	1,000,000
Triodos Fair Share Fund	1,000,000
	<u>2,000,000</u>

The Bank is to repay the loan within five years from the date the loan was drawn, ending no later than 1 April 2011 with an interest rate of 8% per annum.

On 19 October 2007, the Bank has converted the loan of US\$2,000,000 into subordinated debt with the consent of Triodos IFM and its related companies, and the maturity date of the loan was drawn no later than 1 April 2013 with an interest rate of 9% per annum.

The total principal outstanding as at 31 December 2007 is nil (2006: US\$5,000,000)

19. BORROWINGS (continued)

d) KfW

On 18 October 2005, the Bank signed a loan agreement with KfW for an amount of EURO3,000,000 to be received and repaid in US\$ with an interest rate equal to the simple average of the five highest interest rates applied in the Kingdom of Cambodia by commercial banks for 12 month US\$ deposits. The interest rate is subject to annual review. The term loan is ten years including a grace period of three years. As at 31 December 2007, the total loan disbursements from KfW are as follows:

Disbursement Date	EURO	US\$
13 March 2006	1,000,000	1,192,000
20 July 2006	1,000,000	1,253,100
As at 31 December 2006	2,000,000	2,445,100
As at 1 January 2007	2,000,000	2,445,100
2 February 2007	676,074	875,786
21 March 2007	323,926	430,919
As at 31 December 2007	3,000,000	3,751,805

e) ACLEDA NGO

On 24 December 2007, the Bank signed loan agreement with ACLEDA NGO for an amount of US\$400,000. There is no fixed repayment schedule. Interest rate for the debt shall be the sum of US\$ SIBOR plus 2.5% per annum for the interest period.



19. BORROWINGS (continued)

f) 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 is to be paid in four equal installments on the following dates:

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

On 7 April 2006, the Bank signed another loan agreement with Blue Orchard MFS for an amount of US\$5,000,000 with a fixed interest rate equal to 7.5% per annum. The Bank is to repay the principal amount of the term loan in a single installment on the maturity date on 15 March 2011.

The total principal outstanding as at 31 December 2007 is US\$10,000,000 (2006:US\$10,000,000)

g) Blue Orchard Finance SA

On 17 May 2005, the Bank obtained a loan of US\$500,000 from Blue Orchard Finance with an interest rate of US\$ LIBOR six month plus 4.75% per annum. The principal was repaid on 17 May 2007.

h) Micro Finance Securities ("MFS")

On 28 June 2006, the Bank signed a loan agreement with MFS for an amount of US\$4,000,000 with an interest at rate of 7.25% per annum. The loan is to be repaid on the maturity date, 8 June 2011.

i) PlaNet Finance

On 24 November 2006, the Bank signed a loan agreement with PlaNet Finance for an amount of THB113,000,000, equivalent to US\$3,000,000, with interest at a rate per annum equal to BIBOR 6 months plus 3.5%. The interest is to be repaid semiannually in arrears on 24 May and 24 November of each year, beginning on 24 May 2007. The loan maturity is on 24 November 2008.

The movement of loan obtained from PlaNet Finance is as follows:

Balance as at 31 December 2006	3,000,000
Currency translation differences	119,547
Balance as at 31 December 2006	<u>3,119,547</u>
Balance as at 01 January 2007	3,119,547
Currency translation differences	578,430
Balance as at 31 December 2007	<u>3,697,977</u>

19. BORROWINGS (continued)

j) Central Bank

During the year, the Bank signed a loan agreement with the Central Bank for an amount of Riel40,000 million equivalent to US\$9,992,505 as at 31 December 2007, with an interest rate set at 6% per annum. Each loan is six months in maturity and expected to be repaid in full in 2008.

k) Foreign Trade Bank

During the year, the Bank signed a loan agreement with the Foreign Trade Bank with an interest rate set at 10% per annum. The loans are for twelve months maturity. The loan balance as at 31 December 2007 is as follows:

Disbursement date	Repayment date	Amount US\$
24 January 2007 (overdraft)	24 January 2008	490,523
9 February 2007 (overdraft)	9 February 2008	499,625
5 April 2007	5 April 2008	999,251
2 November 2007	2 November 2008	999,251
		<u>2,988,650</u>



20. 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 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, 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.

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.

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 US\$ SIBOR plus 2.5% per annum 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:

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Balance at 1 January	6,047,319	5,896,818	24,533,973	23,923,390
Currency translation differences	195,040	150,501	454,190	610,583
Balance at 31 December	<u>6,242,359</u>	<u>6,047,319</u>	<u>24,988,163</u>	<u>24,533,973</u>

21. SUBORDINATED DEBT

a) ACLEDA NGO

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.

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 relent 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 installments, which fall due on the first interest payment date occurring in each of ten calendar years after the amortisation date.

Interest 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 US\$ SIBOR plus 2.5% per annum 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. Baht Corporate Customer Rate was changed to BIBOR since June 2006;
- (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.

During the year, interest totaling US\$3,015,132 was re-lent to the Bank and capitalised into the principal outstanding.

21. SUBORDINATED DEBT (continued)

Annual interest rates were as follows:

	2007	2006
US\$ (SIBOR plus 2.5%)	7.890% - 7.895%	7.233% - 8.080%
BIBOR	5.202% - 3.767%	4.746% - 5.509%
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% per annum.

b) OTHER

On 20 December 2007, the NBC approved for the Bank to convert its borrowing from Triodos IFM and its related companies amounting to US\$5,000,000 to subordinated debt.

Movement of the subordinated debt is as follows:

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Balance at 1 January	5,152,156	11,360,303	20,902,297	46,088,749
Re-lending of interest paid	3,015,132	400,000	12,069,574	1,622,800
Converted to share capital	-	(7,150,000)	-	(29,007,550)
Conversion from shareholder	5,000,000	-	20,015,000	-
Currency translation differences	73,767	541,853	17,073	2,198,298
Balance at 31 December	13,241,055	5,152,156	53,003,944	20,902,297



22. STAFF PENSION LIABILITIES

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
As at 1 January	633,513	902,324	2,570,162	3,660,728
Additions for the year:				
Bank's contribution	1,651,892	818,500	6,612,524	3,320,655
Employees' contribution	825,946	409,250	3,306,261	1,660,327
Interest	121,733	64,686	487,297	262,431
Payment to employees	(45,322)	(41,483)	(181,425)	(168,297)
ASA Inc. purchases shares from Acleda NGO by pension fund	(1,337,602)	(1,520,000)	(5,354,421)	(6,166,640)
Payment (a)	(1,623,000)	-	(6,496,869)	-
Currency translation difference	(1,225)	236	(39,111)	957
As at 31 December	<u>225,935</u>	<u>633,513</u>	<u>904,418</u>	<u>2,570,162</u>

- (a) On 24 December 2007 letters were obtained from individual members of staff and addressed to the Board of Directors of ASA Inc., allowing ASA Inc. to use their pension funds to purchase additional shares in the Bank. As of 31 December 2007, the Bank transferred US\$1,623,000 from the staff pension fund into separate account for the purpose of purchasing 1,623,000 shares in the Bank at US\$1 per share in 2008.

23. SHARE CAPITAL

During the year, ASA Inc. purchased shares in the Bank from ACLEDA NGO resulting in the following change of ownership.

	ACLEDA NGO US\$	ASA Inc. US\$	Other US\$	Total US\$
At 1 January 2007	11,192,505	4,107,495	14,700,000	30,000,000
ASA Inc purchase shares by pension fund	-	1,337,602	-	1,337,602
ASA Inc purchase shares by cash	-	254,903	-	254,903
Sale shares to ASA Inc.	(1,592,505)	-	-	(1,592,505)
At 31 December 2007	<u>9,600,000</u>	<u>5,700,000</u>	<u>14,700,000</u>	<u>30,000,000</u>

23. SHARE CAPITAL (continued)

The total authorised amount of share capital of the Bank as at 31 December 2007 was 30,000,000 shares (2006: 30,000,000 shares) with a par value of US\$1 per share (2006: US\$1 per share).

	2007		2006	
	Percentage	US\$	Percentage	US\$
ACLEDA NGO	32.00%	9,600,000	37.31%	11,192,505
ASA Inc.	19.00%	5,700,000	13.69%	4,107,495
Deutsche Investitions-und Entwicklungsgesellschaft (DEG)	12.25%	3,675,000	12.25%	3,675,000
FMO	12.25%	3,675,000	12.25%	3,675,000
IFC	12.25%	3,675,000	12.25%	3,675,000
Stichting Triodos Doen	7.95%	2,383,750	7.95%	2,383,750
Triodos Fair Share Fund	4.30%	1,291,250	4.30%	1,291,250
	100%	30,000,000	100.00%	30,000,000

24. 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:

	2007	2006	2007	2006
	US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
Unused portion of approved credit facilities	6,240,667	2,766,480	24,981,389	11,223,609
Letters of credit	2,596,789	1,079,866	10,394,947	4,381,016
Bank guarantees	3,013,367	2,338,118	12,062,509	9,485,745
	11,850,823	6,184,464	47,438,845	25,090,370

These commitments are secured by cash deposits of US\$1,010,293 (2006: US\$980,465), as disclosed in note 17.

24. CONTINGENCIES AND COMMITMENTS (continued)

b) Operating lease commitments

As at 31 December 2007, the Bank had non cancelable lease commitments for its lease of the lease provincial offices and equipment rentals with details as follows:

	2007 US\$	2006 US\$
Less than one year	2,463,996	216,522
One year and less than five years	1,822,279	3,332,305
Five years or more	-	2,771,547
	<u>4,286,275</u>	<u>6,320,374</u>

c) Capital expenditure and other service commitments

As at 31 December 2007, the Bank had capital expenditure commitments with details as follows:

	2007 US\$	2006 US\$
Not later than one year	84,593	518,221
Within one year to five years	-	547,143
More than five years	-	-
	<u>84,593</u>	<u>1,065,364</u>

25. CASH AND CASH EQUIVALENTS

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
Cash on hand	48,526,160	18,877,574	194,250,218	76,586,318
Balances with other banks and other financial institutions	10,058,643	2,219,568	40,264,748	9,004,787
Placement with other banks and financial institutions	7,518,994	4,482,895	30,098,533	18,187,105
Current accounts with the Central Bank	7,842,322	3,290,122	31,392,815	13,348,024
Fixed deposits with the Central Bank	33,000,000	8,000,000	132,099,000	32,456,000
	<u>106,946,119</u>	<u>36,870,159</u>	<u>428,105,314</u>	<u>149,582,234</u>

26. CASH USED IN OPERATIONS

	For the year ended		For the year ended	
	2007	2006	2007	2006
	US\$	US\$	Riel '000 <i>Unaudited</i>	Riel '000 <i>Unaudited</i>
OPERATING ACTIVITIES				
Profit before income tax	12,277,762	8,360,714	49,147,881	33,919,416
<i>Adjustments for:</i>				
Provisions for loan losses	1,441,106	517,178	5,768,747	2,098,191
Depreciation	1,262,872	1,123,843	5,055,277	4,559,431
Amortisation of intangible assets	332,088	298,180	1,329,348	1,209,716
Gain on sales of property and equipment	(74,989)	(35,889)	(300,181)	(145,602)
Bad debts written off	(146,019)	(158,667)	(584,514)	(643,712)
Unrealised foreign exchange gain on senior and subordinated debts	268,808	692,354	1,076,038	2,808,880
Operating income before working capital changes	15,361,628	10,797,713	61,492,596	43,806,320
<i>Changes in working capital:</i>				
Increase in loans and advances to customers	(155,405,586)	(58,468,977)	(622,088,561)	(237,208,640)
Increase in other assets	(1,565,448)	(2,613,223)	(6,266,488)	(8,979,048)
Increase in property foreclosed	-	17,440	-	70,754
Increase in deposits from customers	221,383,532	61,248,658	886,198,279	248,485,806
Increase in accruals and other liabilities	10,878,975	2,241,541	43,548,537	9,093,934
Increase/(decrease) in staff pension liability	(407,578)	(268,811)	(1,631,535)	(1,090,566)
Increase in provision for health insurance	-	(361,700)	-	(1,467,417)
Cash used in operation	90,245,523	12,592,641	361,252,828	52,711,143

27. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank entered into a number of transactions with related parties in the normal course of business. These include loan, deposit and borrowing transactions. Interest rate of related party deposits, loans and borrowing have been disclosed in note 17 (f), 12 (a) and 19 (a-e) respectively. Outstanding balances at year end, and related expense and income for the year are as follows:

	2007 US\$	2006 US\$	2007 Riel '000 <i>Unaudited</i>	2006 Riel '000 <i>Unaudited</i>
a) Board of Directors				
Fees and related expenses	133,854	97,623	535,818	396,057
b) Loans				
Directors	9,154	-	36,642	-
Internal auditor	529,793	384,795	2,120,762	1,561,113
Executive management and head of departments	2,068,483	-	8,280,140	-
	<u>2,607,430</u>	<u>384,795</u>	<u>10,437,544</u>	<u>1,561,113</u>
Interest income earned	<u>173,352</u>	<u>24,033</u>	<u>693,930</u>	<u>97,502</u>
c) Deposits				
Shareholders	437,140	1,333,145	1,749,872	5,408,569
Directors	581,218	283,078	2,326,616	1,148,449
Executive management and head of departments	150,629	-	602,968	-
	<u>1,168,987</u>	<u>1,616,223</u>	<u>4,679,456</u>	<u>6,557,018</u>
Interest expense on deposits	<u>41,475</u>	<u>7,497</u>	<u>166,024</u>	<u>30,415</u>
d) Borrowings and debts (see note 19)				
Borrowings	14,151,805	15,945,100	56,649,675	64,689,271
Senior debt	6,242,359	6,047,319	24,988,163	24,533,973
Subordinated debt	13,241,055	5,152,156	53,003,944	20,902,297
	<u>33,635,219</u>	<u>27,144,575</u>	<u>134,641,782</u>	<u>110,125,541</u>
Interest expense on borrowings and debts	<u>2,811,208</u>	<u>2,414,549</u>	<u>11,253,264</u>	<u>9,795,825</u>

28. SUBSEQUENT EVENTS

On 4 January 2008, the NBC approved of the Bank's request to increase its capital from US\$30,000,000 to US\$50,000,000.

Details of this capital increase are as follows:

	Percentage	US\$	No. of shares
ACLEDA NGO	36.35%	18,177,000	18,177,000
ASA Inc.	14.65%	7,323,000	7,323,000
DEG	12.25%	6,125,000	6,125,000
FMO	12.25%	6,125,000	6,125,000
IFC	12.25%	6,125,000	6,125,000
Stichting Triodos Doen	6.14%	3,071,750	3,071,750
Triodos Fair Share Fund	6.11%	3,053,250	3,053,250
	100.00%	50,000,000	50,000,000

On 4 January 2008, the increased share capital was fully paid.

29. SEGMENT INFORMATION

The Bank is engaged in the commercial banking business.

30. FINANCIAL RISK MANAGEMENT

a) Credit risk

The Bank assumes exposure to credit risk, which is the risk that a counterparty will be unable to pay loan principal and interest 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.

30. FINANCIAL RISK MANAGEMENT (continued)

b) Market risk

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

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to 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 on a daily basis by the Treasury Division and reviewed by the Assets and Liabilities Committee on a monthly basis.

The table in note 31 to the financial statements summarizes the Bank's exposure to foreign currency risk at 31 December which included the Bank's assets and liabilities at carrying amounts, categorized 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 re-pricing that may be undertaken, which is monitored by the Treasury Division on a daily basis and reviewed by the Assets and Liabilities Committee on a monthly basis.

The table in note 32 to the financial statements summarizes the Bank's exposure to interest rate risk, which includes the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

(c) Liquidity risk

Liquidity risk is defined as a risk resulting from mismatched maturities of assets and liabilities. The maturity gap analysis is monitored by the Treasury Division on a daily basis and reviewed by the Assets and Liabilities Committee on a monthly basis.

An analysis of the assets and liabilities of the Bank grouped according to the remaining period at balance sheet to contractual maturity is provided in note 33 to the financial statements.

31. CURRENCY ANALYSIS

	Thai Baht	Riel	Euro	US\$	AUD	VND	CAD	LAK	JPY	Total
As at 31 December 2007										
ASSETS										
Cash in hand	8,321,349	6,615,696	532,330	32,757,255	102,516	99,374	22,057	-	75,583	48,526,160
Balances with other banks and financial institutions	54,496	-	3,010,046	6,906,064	28,998	9,159	31,901	201	17,778	10,058,643
Placements with other banks and financial institutions	-	-	-	11,241,690	-	-	-	-	-	11,241,690
Balances with the Central Bank	-	1,839,197	-	70,598,625	-	-	-	-	-	72,437,822
Loans and advances to customers	8,263,741	33,795,025	-	268,622,497	-	-	-	-	-	310,681,263
Property and equipment	-	-	-	12,218,219	-	-	-	-	-	12,218,219
Computer software	-	-	-	1,691,255	-	-	-	-	-	1,691,255
Other assets	164,552	665,244	5,145	5,363,028	324	-	-	-	-	6,198,293
Total assets	16,804,138	42,915,162	3,547,521	409,398,633	131,838	108,533	53,958	201	93,361	473,053,345
LIABILITIES										
Deposits from customers	12,476,494	15,043,027	2,043,114	314,907,082	25,964	1,417	4,019	-	32,198	344,533,315
Accruals and other liabilities	188,513	1,053,177	1,517,326	9,706,519	530	-	502	-	33,449	12,500,016
Deferred income tax liabilities	-	-	-	42,986	-	-	-	-	-	42,986
Current income tax liabilities	-	1,784,363	-	-	-	-	-	-	-	1,784,363
Borrowings	3,697,977	12,981,156	-	28,151,804	-	-	-	-	-	44,830,937
Senior debt	784,970	5,428,610	-	28,779	-	-	-	-	-	6,242,359
Subordinated debt	11	6,512,126	-	6,728,918	-	-	-	-	-	13,241,055
Staff pension fund	-	-	-	225,935	-	-	-	-	-	225,935
Total liabilities	17,147,965	42,802,459	3,560,440	359,792,023	26,494	1,417	4,521	-	65,647	423,400,966
Net on balance sheet position	(343,827)	112,703	(12,919)	49,606,610	105,344	107,116	49,437	201	27,714	49,652,379
As at 31 December 2006										
Total assets	8,314,699	27,715,980	861,804	186,092,646	114,456	52,596	49,899	215	-	223,202,295
Total liabilities	8,281,769	27,712,927	740,067	143,829,944	22,041	602	34,485	-	-	180,621,835
Net on balance sheet position	32,930	3,053	121,737	42,262,702	92,415	51,994	15,414	215	-	42,580,460

32. INTEREST RATE RISK

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2007							
ASSETS							
Cash on hand	-	-	-	-	-	48,526,160	48,526,160
Balances with other banks and financial institutions	-	-	-	-	-	10,058,643	10,058,643
Placements with other banks and financial institutions	8,522,690	501,000	2,218,000	-	-	-	11,241,690
Balances with the Central Bank	36,000,000	3,000,000	7,000,000	-	-	26,437,822	72,437,822
Loans and advances to customers	18,506,158	41,805,353	125,928,466	96,377,187	29,251,075	(1,186,976)	310,681,263
Property and equipment	-	-	-	-	-	12,218,219	12,218,219
Computer software	-	-	-	-	-	1,691,255	1,691,255
Other assets	-	-	-	-	-	6,198,293	6,198,293
Total assets	63,028,848	45,306,353	135,146,466	96,377,187	29,251,075	103,943,416	473,053,345
LIABILITIES							
Deposits from customers	195,358,052	18,927,724	56,704,808	17,085,987	2,652,832	53,803,912	344,533,315
Accruals and other liabilities	-	-	-	-	-	12,500,016	12,500,016
Deferred income tax liabilities	-	-	-	-	-	42,986	42,986
Current income tax liabilities	-	-	-	-	-	1,784,363	1,784,363
Borrowings	495,074	5,991,531	16,551,474	19,642,858	2,150,000	-	44,830,937
Senior debt	813,748	-	-	-	5,428,611	-	6,242,359
Subordinated debt	1,728,929	-	-	-	11,512,126	-	13,241,055
Staff pension fund	-	-	-	225,935	-	-	225,935
Total liabilities	198,395,803	24,919,255	73,256,282	36,954,780	21,743,569	68,131,277	423,400,966
Total interest sensitivity gap	(135,366,955)	20,387,098	61,890,184	59,422,407	7,507,506	35,812,139	49,652,379
As at 31 December 2006							
Total assets	17,343,441	8,618,664	78,558,182	70,239,605	3,511,115	44,931,288	223,202,295
Total liabilities	61,993,817	11,276,398	35,485,884	36,412,578	7,581,216	27,871,942	180,621,835
Total interest sensitivity gap	(44,650,376)	(2,657,734)	43,072,298	33,827,027	(4,070,101)	17,059,346	42,580,460

33. LIQUIDITY ANALYSIS

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	No fixed date	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2007							
ASSETS							
Cash on hand	48,526,160	-	-	-	-	-	48,526,160
Balances with other banks and financial institutions	10,058,643	-	-	-	-	-	10,058,643
Placements with other banks and financial institutions	8,522,690	501,000	2,218,000	-	-	-	11,241,690
Balances with Central Bank	40,842,322	3,000,000	7,000,000	-	-	21,595,500	72,437,822
Loans and advances to customers	18,506,158	41,805,353	124,741,489	96,377,184	29,251,079	-	310,681,263
Other assets	4,961,901	348,786	690,335	142,267	46,670	8,334	6,198,293
Total assets	131,417,874	45,655,139	134,649,824	96,519,451	29,297,749	21,603,834	459,143,871
LIABILITIES							
Deposits from customers	81,656,449	32,307,017	95,720,412	132,196,605	2,652,832	-	344,533,315
Accruals and other liabilities	11,152,027	139,389	1,208,600	-	-	-	12,500,016
Deferred income tax liabilities	-	-	-	42,986	-	-	42,986
Current income tax liabilities	-	1,784,363	-	-	-	-	1,784,363
Borrowings	495,074	3,492,826	15,298,374	21,786,746	3,757,917	-	44,830,937
Senior debt	-	-	-	-	6,242,359	-	6,242,359
Subordinated debt	-	-	-	-	13,241,055	-	13,241,055
Staff pension fund	-	-	-	225,935	-	-	225,935
Total liabilities	93,303,550	37,723,595	112,227,386	154,252,272	25,894,163	-	423,400,966
Net liquidity gap	38,114,324	7,931,544	22,422,438	(57,732,821)	3,403,586	21,603,834	35,742,905
At 31 December 2006							
Total assets	48,405,403	29,751,263	86,385,386	37,116,609	2,623,386	9,193,779	213,475,826
Total liabilities	82,364,953	10,791,086	34,655,244	37,460,478	9,966,509	5,383,565	180,621,835
Net liquidity gap	(33,959,550)	18,960,177	51,730,142	(343,869)	(7,343,123)	3,810,214	32,853,991

Credit Ratings

Moody's Investors Service

Global Credit Research
Rating Action
May 24, 2007

Rating Action: ACLEDA Bank Plc.
Phnom Penh, Cambodia

Category	Ratings
Outlook	Stable
Bank Financial Strength Rating (BFSR)	D
Deposit Ratings—Foreign Currency	B3/NP
Deposit Ratings—Domestic Currency	Ba1/NP
Issuer Ratings—Foreign Currency	B1/NP
Issuer Ratings—Domestic Currency	Ba1/NP

Standard & Poor's

January 10, 2008
Ratings List

Category	Ratings
New Rating; Outlook Action	
ACLEDA Bank Plc.	
Counterparty Credit Rating	B+/Stable/B
New Rating	
ACLEDA Bank Plc.	
Certificate of Deposit	B+
Bank Fundamental Strength Rating: Local Currency	D

Note: For further details, please visit Moody's Investors Service website at www.moodys.com, and Standard & Poor's at www.standardandpoors.com/ratingsdirect or ACLEDA Bank Plc's website at www.acledabank.com.kh for summary report.

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Note: N/R = Not relevant

N/A = Not available

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Fax: +855 (0)33 399 008
E-mail: chhouk_acleda@camshin.net

And 2 offices (Angkor Chey, Trapaing Raing)

TAKEO



National Road No. 2, Lory Village, Rokar Khnong Commune,
Don Keo District, Takeo Province, Cambodia.
P.O. Box: 1149
Tel: +855 (0)32 931 246 / 931 931 / 931 678, +855 (0)15 900 435
Fax: +855 (0)32 931 144 / 343 638 / 931 567
E-mail: tko@acledabank.com.kh

And 10 offices (Bati, Preykabas, Tram Kak (Angk Ta Saom Commune),
Tram Kak (Tram Kak Commune), Kandoeng, Samraong,
Beung Tranh Khang Choeung, Ankor Borei, Preyphdau, Cheang Tong)

KIRIVONG DISTRICT-TAKEO



National Road No.2, Kampong Village, Preah Bath Chorn Chum commune,
Krivong District, Takeo Province, Cambodia.
P.O. Box: 1149
Tel: +855 (0)32 399 012,
+855 (0)15 900 310
Fax: +855 (0)32 391 136 / 391 137
E-mail: kvg.tko@acledabank.com.kh

And 3 offices (Smaong, Prey Rumdeng, Romenh)

SIHANOUKVILLE



#135, Ekareach Street, Phum 1, Sangkat 2, Khan Mittapheap, Sihanoukville, Cambodia.

P.O. Box: 1149

Tel: +855 (0)34 320 232 / 933 723,
+855 (0)15 900 382 / 800 701

Fax: +855 (0)34 933 923

E-mail: snv@acledabank.com.kh

And 4 offices (Steung Hav, Prey Nob, Sre Ambel, Thmar Sar)

KOH KONG



#222, Group 8, Village 2, Smach Mean Chey Commune, Smach Mean Chey District, Koh Kong Province, Cambodia.

P.O. Box: 1149

Tel: +855 (0)35 936 693, +855 (0)15 900 270

Fax: +855 (0)35 936 639

E-mail: kkg@acledabank.com.kh

PURSAT



#239, National Road No. 5, Peal Nhek 1 Village, Pteah Prey Commune, Sampov Meas District, Pursat Province, Cambodia.

P.O. Box: 1149

Tel: +855 (0)52 951 434, +855 (0)15 900 350

Fax: +855 (0)52 951 634 / 951 334

E-mail: pur@acledabank.com.kh

And 8 offices (Krakor, Bakan, Leach, Chheu Tom, Otapong, Talo, Kandieng, Tnaot Chum)

KAMPONG THOM



#36, National Road No. 6, Group 3, Stung Sen Village, Kampong Krabao Commune, Stung Sen District, Kampong Thom Province, Cambodia.

P.O. Box: 1149

Tel: +855 (0)62 961 243 / 962 247, +855 (0)15 900 295

Fax: +855 (0)62 961 444

E-mail: ktm@acledabank.com.kh

And 5 offices (Stoung, Sandan, Sambour, Sannkor, Kraya)

BARAY DISTRICT-KAMPONG THOM



Group 1, Prey Tatrav Village, Balang Commune, Baray District, Kampong Thom Province, Cambodia.

Tel: +855 (0)23 358 325, +855 (0)12 587 882 / 710 579,
+855 (0)15 900 215

Fax: +855 (0)62 399 009, +855 (0)12 464 020

E-mail: baray_acleda@camshin.com.kh or
bar.admin@acledabank.com.kh

And 4 offices (Baray, Soyoung, Krava, Taing Krasaing*)

PREAH VIHEAR	
	<p>Lor Oet Village, Kampong Pranak Commune, Tbeng Mean Chey District, Preah Vihear Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)15 900 364 Fax: +855 (0)12 401 507 E-mail: pvh@acledabank.com.kh</p> <p>And 5 offices (Rovieng, Kuleaen Tboung, Choam Ksan, Chey Sen*, Sangkum Thmei*)</p>
KAMPONG SPEU	
	<p>National Road No. 4, Samnang Village, Rokar Thom Commune, Chbar Mon District, Kampong Speu Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)25 987 108, +855 (0)15 900 283 Fax: +855 (0)25 987 236 / 987 121 E-mail: ksp@acledabank.com.kh</p> <p>And 4 offices (Phnom Sruoch, Trapaing Kong, Traeng Trayueng, Kraing Chek)</p>
ODONGK DISTRICT-KAMPONG SPEU	
	<p>National Road No. 5, Odongk Village, Viengchass Commune, Odongk District, Kampong Speu Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)25 395 565, +855 (0)15 900 327 Fax: +855 (0)25 394 565 / 399 001 E-mail: odg.mar@acledabank.com.kh</p> <p>And 3 offices (Ksemksan, Monorom, Kampong Luong)</p>
KONG PISEY DISTRICT-KAMPONG SPEU	
	<p>#21, National Road No. 3, Tram Khnar Village, Snam Krapeu Commune, Kong Pisey District, Kampong Speu Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)32 399 002, +855 (0)23 357 755, +855 (0)15 900 273 Fax: +855 (0)25 392 527 E-mail: kps.admin@acledabank.com.kh</p> <p>And 3 offices (Svay Rompear, Pras Nipein, Srang)</p>
KAMPONG CHHNANG	
	<p>Trapaing Bei Village, Phsar Chhnang Commune, Kampong Chhnang District, Kampong Chhnang Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)26 988 748 / 988 809 / 988 608, +855 (0)15 900 256 / 900 731 Fax: +855 (0)26 988 623 E-mail: kcg@acledabank.com.kh</p> <p>And 7 offices (Kampong Tralach, Baribour, Akphivat, Prey Kri, Rolea B'ier, Svay Chuk, Kampong Hau)</p>

SVAY RIENG	
	<p>Rong Banlae Village, Svay Rieng Commune, Svay Rieng District, Svay Rieng Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)44 945 545 / 945 596 / 399 070, +855 (0)15 900 423 Fax: +855 (0)44 391 119 / 945 596 E-mail: svg@acledabank.com.kh</p> <p>And 5 offices (Chantrea, Chrak Mates, Kampong Trach, Daun Sar, Gnor)</p>
PREY VENG	
	<p>Group 9, Village 4, Kampong Leav Commune, Kampong Leav District, Prey Veng Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)43 944 555, +855 (0)15 900 356 / 800 601 Fax: +855 (0)43 944 577 / 399 003 E-mail: pvg@acledabank.com.kh</p> <p>And 9 offices (Pea Reang, Kampong Trabaek, Kamchai Mear, Kampong Po Pil, Angkor Reach, Prekchankran, Chiphuch, Kanchreach, Svay Antor)</p>
PEAM RO DISTRICT-PREY VENG	
	<p>Group 3, Village 1, Preaek Khsay "B" Commune, Peam Ro District, Prey Veng Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)43 750 153 / 750 193, +855 (0)15 900 338 Fax: +855 (0)43 750 142 / 750 161 E-mail: pmr.admin@acledabank.com.kh</p> <p>And 3 offices (Leuk Daek, Svay Pluos, Chheu Kach)</p>
RATTANAKIRI	
	<p>Village 1, Labanseak Commune, Banlung District, Rattanakiri Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)75 974 220 / 974 333, +855 (0)15 900 368 Fax: +855 (0)75 974 221 E-mail: rki@acledabank.com.kh</p>
MONDULKIRI	
	<p>O Spean Village, Speanmeanchey Commune, Senmonorom District, Mondul Kiri Province, Cambodia. P.O. Box: 1149 Tel: +855 (0)73 399 001, +855 (0)15 900 317 Fax: +855 (0)73 399 002 E-mail: mki@acledabank.com.kh</p> <p>And 1 office (Sre Khtom)</p>

Note: Those offices with "*" were established in 2008.

Correspondent Banks

95 banks in 49 countries with 806 corresponding branches (end of March 2008):

Country (No. of Correspondents)	Name of Bank
Australia (5)	Bank of America, N.A Sydney (Head Office) (Sydney) Citibank N.A. (Sydney) Commonwealth Bank of Australia (Adelaide, Brisbane, Darwin, Hobart, Melbourne, Perth) Commonwealth Bank of Australia (Sydney*) - AUD KEB Australia Ltd. (Sydney) Oversea-Chinese Banking Corporation Limited (Sydney)
Austria (2)	Bank Austria Creditanstalt AG (Vienna) Raiffeisen Zentralbank Osterreich AG (Vienna)
Bangladesh (1)	Woori Bank, Dhaka (Dhaka)
Belgium (7)	Bank of America, N.A. Antwerp (Antwerp) Bank of New York (Brussels) Citibank Belgium NV/SA (Brussels) Commerzbank AG, Brussels Branch (Brussels) Fortis Bank S.A./N.V. (Brussels) ING Belgium NV/SA (Brussels*) - EUR ING Belgium NV/SA (Formerly Bank Brussels Lambert SA), Liege KBC Bank NV (Brussels)
Brazil (1)	American Express Bank, Brazil (Sao Paulo)
Cambodia (6)	Advanced Bank of Asia Limited (Phnom Penh) Cambodia Mekong Bank Plc (Phnom Penh) Cambodian Commercial Bank Limited (Phnom Penh) Camko Bank (Phnom Penh) Shinhan Khmer Bank (Phnom Penh) Vattanac Bank (Phnom Penh)
Canada (3)	Bank of America, N.A Canada Branch (Toronto) Bank of Nova Scotia (Toronto*) - CAD Korea Exchange Bank of Canada (Toronto)
Cayman Islands (1)	Nordea Bank Finland Plc (Georgetown)

Country (No. of Correspondents)**Name of Bank**

China (18)

Agricultural Bank of China, The (All Branches in China)
Bank of America, N.A. Beijing (Beijing, Shanghai, Guangzhou)
Bank of New York (Shanghai)
Bank of Tokyo-Mitsubishi UFJ Ltd (Beijing, Dalian, Shanghai, Shenzhen, and Tianjin)
Bank of Yingkou (Yingkou)
China Construction Bank (All Branches in China)
China Merchants Bank (All Branches in China)
Commerzbank AG, Shanghai Branch (Shanghai)
Industrial and Commercial Bank of China (All Branches in China)
IntesaBci S.P.A. (Shanghai)
Korea Exchange Bank (Beijing, Dalian, Shanghai and Tianjin)
Oversea-Chinese Banking Corporation Limited, Shanghai Branch (Shanghai)
Raiffeisen Zentralbank Osterreich AG, Beijing Branch (Beijing)
Shengjing Bank Co.,Ltd (Shenyang)
Standard Chartered Bank (Shanghai)
Sumitomo Mitsui Banking Corporation (Beijing, Guangzhou, Shanghai, Suzhou, and Tianjin)
United Overseas Bank Ltd. (Beijing, Guangzhou, Shanghai, Shenzhen, and Xiamen)
Woori Bank (Beijing and Shanghai)

Czech Republic (1)

Commerzbank AG (Prague)

Denmark (2)

Danske Bank A/S (Copenhagen)
Nordea Bank Denmark A/S (Copenhagen)

Egypt (2)

American Express Bank Ltd. (Cairo)
Mashreqbank (Cairo)

Estonia (1)

Nordea Bank Finland Plc Estonia Branch (Tallinn)

Finland (1)

Nordea Bank Finland Plc (Helsinki)

France (6)

Banca Commerciale Italiana (France) S.A. (Paris)
Bank of America, N.A Paris (Paris)
Bank of Tokyo-Mitsubishi Ltd. Paris Branch (Paris)
Caixa D'estalvis De Catalunya (Perpignan)
Commerzbank AG (Paris)
Korea Exchange Bank (Paris)

Country (No. of Correspondents)**Name of Bank**

Germany (14)

American Express Bank GmbH (Frankfurt*) - EUR
Bank of America, N.A (Frankfurt AM Main)
Bank of New York (Frankfurt)
Bank of Tokyo-Mitsubishi Ltd. Duesseldorf Branch (Duesseldorf)
Bayerische Hypo-UND Vereinsbank AG.- Hypovereinsbank (Muenchen)
Berliner Volksbank EG (Berlin)
Commerzbank AG (Frankfurt, Berlin, Duesseldorf, Hamburg, Muenchen)
Deutsche Bank AG (Berlin, Duesseldorf, Frankfurt AM Main, Hamburg)
Dresdner Bank AG (Frankfurt AM Main)
Fortis Bank Global Clearing N.V. Frankfurt Branch (Frankfurt AM Main)
Hamburger Sparkasse AG (Hamburg)
Korea Exchange Bank (Deutschland) AG (Frankfurt)
Landesbank Hessen-Thueringen Girozentrale (Frankfurt)
Nordea Bank Finland Plc Niederlassung Deutschland (Frankfurt)

Ghana (1)

Standard Chartered Bank Ghana Limited (Accra)

Greece (2)

American Express Bank Ltd. (Athens)
Bank of America, N.A. Athens (Athens)

Hong Kong SAR (20)

American Express Bank Limited
Banca Intesa S.P.A
Bank of America, N.A. Hong Kong (Hong Kong)
Bank of New York
Bank of Nova Scotia, The
Bank of Tokyo-Mitsubishi Ltd. Hong Kong Branch
Citibank (Hong Kong) Limited
Citibank N.A (Hong Kong)
Commerzbank AG
Commonwealth Bank of Australia
DBS Bank (Hong Kong) Limited
KDB Asia Limited
Korea Exchange Bank
Mashreqbank psc., Hong Kong Branch
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
Royal Bank of Scotland
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Wachovia Bank
Woori Bank

Country (No. of Correspondents)	Name of Bank
Hungary (1)	Commerzbank (Budapest) RT. (Budapest)
India (8)	American Express Bank Limited (New Delhi, Chennai, Kolkata and Mumbai) Bank of America, N.A. Mumbai (Mumbai) Bank of Nova Scotia, The (Mumbai) Bank of Tokyo-Mitsubishi Ltd. (New Delhi, Chennai, Mumbai) Canara Bank (Mumbai) Citibank N.A (Mumbai Branch) (Mumbai) Mashreqbank (Mumbai) Standard Chartered Bank (Mumbai)
Indonesia (8)	American Express Bank Limited (Jakarta) Bank of America, N.A. Jakarta Branch (Jakarta) Bank of Tokyo-Mitsubishi Ltd. (Jakarta) Bank Rakyat Indonesia (Jakarta) CITIBANK N.A. Jakarta (Indonesia) P.T. KEB Danamon (Indonesia) (Jakarta) P.T. Woori Bank Indonesia (Jakarta) Standard Chartered Bank (Jakarta)
Ireland (3)	Bank of America, N.A. Dublin (Dublin) Commerzbank Europe (Ireland) (Dublin) IntesaBci Bank Ireland Plc (Dublin)
Italy (9)	Banca Intesa S.P.A. (Milan) Banca Monte Dei Paschi Di Siena S.P.A (Milano) Banca Popolare Commercio E Industria SPA (Milano) Banca Popolare Di Sondrio (Sondrio) Bank of America, N.A. Milano (Milano) Commerzbank AG (Milano) Credito Emiliano S.P.A (Reggio Nell' Emilia) Unicredito Italiano SPA (Milano) (All Branches in Italy) Unione Di Banche Italiane S.C.P.A (Formerly Banca Lombarda E Piemontese) (Bergamo)
Japan (15)	American Express Bank Limited (Tokyo) Bank of America, Tokyo (Tokyo Branch) (Tokyo) Bank of New York (Tokyo and Tokyo Trade Service Centre) Bank of Nova Scotia, The (Tokyo) Bank of Tokyo Mitsubishi Ltd (Tokyo) Citibank N.A (Tokyo)

Country (No. of Correspondents)	Name of Bank
Japan (15) (continued)	Commerzbank AG (Tokyo) Commonwealth Bank of Australia (Tokyo) IntesaBci S.P.A (Tokyo) Korea Exchange Bank (Tokyo and Osaka) Oversea-Chinese Banking Corporation Limited Tokyo Branch (Tokyo) Standard Chartered Bank (Tokyo) Sumitomo Mitsui Banking Corporation (Tokyo*) - JPY Wachovia Bank N.A. (Tokyo) Woori Bank (Tokyo)
Kenya (1)	Dubai Bank Kenya Ltd (Nairobi)
Korea (13)	American Express Bank Limited (Seoul) Bank of America, N.A. Seoul Branch (Seoul) Bank of New York (Seoul) Bank of Nova Scotia, The Seoul Branch (Seoul) Bank of Tokyo-Mitsubishi Ltd. (Seoul, Pusan) Industrial Bank of Korea (Korea) KOOKMIN BANK (Seoul) Korea Exchange Bank (Seoul) Oversea-Chinese Banking Corporation Limited, Seoul Branch (Seoul) Standard Chartered Bank (Seoul) Sumitomo Mitsui Banking Corporation (Seoul) Wachovia Bank N.A. (Seoul) Woori Bank, (Seoul)
Laos (1)	Banque Pour Le Commerce Exterieur Lao (Vientiane*) - LAK & USD
Luxembourg (3)	American Express Bank (Luxembourg) S.A. Bank of New York (Luxembourg) S.A. Nordea Bank S.A. (Luxembourg)
Malaysia (10)	Bank of America, Malaysia Berhad (Kuala Lumpur) Bank of Nova Scotia Berhad (Kuala Lumpur) Bank of Tokyo-Mitsubishi (Malaysia) Berhad (Kuala Lumpur) CIMB Bank Berhad (Kuala Lumpur) Citibank Berhad (Medan Pasar Branch) (Kuala Lumpur) Commerzbank AG, Labuan Branch (Labuan) OCBC Bank (Malaysia) Berhad (Kuala Lumpur) RHB BANK BERHAD (Malaysia, Kuala Lumpur) RHB Islamic Bank Berhad Standard Chartered Bank Bhd (Kuala Lumpur)

Country (No. of Correspondents)	Name of Bank
Mexico (1)	Bank of America, Mexico S.A.
Netherlands (6)	Bank of America, N.A. Amsterdam (Amsterdam) Commerzbank (Nederland) N.V (Amsterdam) Fortis Bank (Nederland) N.V. (Rotterdam) ING Bank N.V. (Amsterdam) Korea Exchange Bank (Amstelveen) Rabobank Nederland (Utrecht)
Norway (1)	Nordea Bank Norge ASA (Oslo)
Pakistan (1)	Standard Chartered Bank (Pakistan) Limited (Karachi)
Philippines (4)	American Express Bank Limited (Manila) Asian Development Bank (Manila) Bank of America, N.A. Manila (Manila) Korea Exchange Bank (Manila)
Poland (1)	Nordea Bank Polska SA (Gdynia)
Qatar (1)	Mashreqbank (Doha)
Russian Federation (2)	Banca Intesa ZAO (Moscow) Commerzbank Eurasaja Sao (Moscow)
Singapore (18)	American Express Bank Bank of America, N.A. Singapore Bank of New York Bank of Nova Scotia, The Bank of Tokyo-Mitsubishi UFJ Ltd. Singapore Branch Citibank N.A (Singapore) Commerzbank AG, (Singapore Branch) Commonwealth Bank of Australia DBS Bank Ltd. Deutsche Bank AG Korea Exchange Bank Nordea Bank Finland Plc Oversea-Chinese Banking Corporation Limited RZB-Austria Singapore Branch Standard Chartered Bank Sumitomo Mitsui Banking Corporation United Overseas Bank Limited Woori Bank
South Africa (1)	Commerzbank AG (Johannesburg)

Country (No. of Correspondents)	Name of Bank
Spain (5)	Bank of America, N.A Madrid (Madrid) Caixa D'estalvis De Catalunya (Main Branch) (Barcelona) CAIXA D'ESTALVIS I PENSIONS DE BARCELONA [LA CAIXA] (Barcelona) Caja de Ahorros del Mediterraneo (Alicante) Commerzbank AG (Madrid)
Sweden (2)	Nordea Bank AB (Stockholm, Malmo, Goteberg) Svenka Handelsbanken AB (Stockholm)
Switzerland (4)	American Express Bank (Switzerland) SA (Geneva) Bank of America, N.A Geneva (Geneva) Commerzbank (Schweiz) AG (Zurich) Nordea Bank S.A. (Zurich)
Taiwan (11)	American Express Bank Limited (Taipei) Bank of America, N.A. Taipei (Taipei Branch) (Taipei) Bank of New York (Taipei) Bank of Nova Scotia, The (Taipei) Bank of Panhsin Bank of Tokyo-Mitsubishi Ltd. (Taipei) Citibank N.A., Taipei Branch (Taipei) Oversea-Chinese Banking Corporation Limited Taipei Branch (Taipei) Standard Chartered Bank (Taipei) Sumitomo Mitsui Banking Corporation (Taipei) Wachovia Bank N.A. (Taipei)
Thailand (11)	American Express Bank Ltd (Bangkok) Bank of America, N.A. Bangkok (Bangkok) Bank of Nova Scotia, Bangkok Branch (Bangkok) Bank of Tokyo-Mitsubishi Ltd. (Bangkok) Citibank N.A. (Bangkok) Deutsche Bank AG, Bangkok Branch (Bangkok) Oversea-Chinese Banking Corporation Limited Bangkok Branch (Bangkok) Standard Chartered Bank (Thai) Pcl (Bangkok) Sumitomo Mitsui Banking Corporation (Bangkok) Thanachart Bank Public Company Limited (Bangkok) United Overseas Bank (Thai) Public Company Limited (Bangkok*) - THB
UAE (3)	Blom Bank France S.A. (Dubai) Mashreqbank psc (Dubai) Standard Chartered Bank (Dubai)

Country (No. of Correspondents)

United Kingdom (16)

Name of Bank

American Express Bank Ltd (Poole)
Banca Intesa S.P.A. (London)
Bank of America, N.A London, (Main Branch)
Bank of New York (London)
Bank of New York Europe Limited, The (London)
Bank of Tokyo-Mitsubishi Ltd. London Branch (London)
Commerzbank AG (London)
Commonwealth Bank of Australia (London)
Korea Exchange Bank (London)
Mashreqbank psc (London)
Nordea Bank Finland Plc (London)
Oversea-Chinese Banking Corporation Limited, London Branch (London)
Raiffeisen Zentralbank AG, London Branch (London)
Standard Chartered Bank (London*) - EUR
Wachovia Bank N.A. (London)
Woori Bank London (London)

USA (27)

American Express Bank Limited (New York*) - USD
Amsouth Bank
Bank of America (New York*) - USD
Bank of America, N.A. (Miami, Charlotte, San Francisco)
Bank of China (New York, New York Chinatown, and Los Angeles)
Bank of New York (New York)
Bank of The West (Walnut Creek, California)
Bank of Tokyo-Mitsubishi Ltd. (Los Angeles, New York)
Citibank N.A (New York*) - USD
Citizens Bank of Rhode Island (Rhode Island)
Commerzbank AG (New York)
Commonwealth Bank of Australia (New York)
Credit Lyonnais (New York)
Deutsche Bank Trust Company Americas
Far East National Bank (Los Angeles)
GOLDEN COAST BANK (Long Beach*) - USD
HSBC Bank USA (New York*) - USD
International Finance Corporation (Washington, DC)
IntesaBci S.P.A. (New York)
Korea Exchange Bank (Los Angeles Agency and New York)
Masreqbank psc., New York Branch (New York*) - USD
Nordea Bank Finland Plc (New York)
Oversea-Chinese Banking Corporation Limited (New York)
Standard Chartered Bank (New York*) - USD
Sumitomo Mitsui Banking Corporation (New York)
UMB Bank, N.A

Country (No. of Correspondents)

USA (27)

(continued)

Name of Bank

Wachovia Bank, NA (Charlotte, Los Angeles, Miami and Int'l Operations, Philadelphia)

Wachovia Bank, NA, New York Int'l Branch (New York*) – USD

Woori Bank (Los Angeles and New York)

Vietnam (17)

AN BINH COMMERCIAL JOINT STOCK BANK (Hanoi)

Asia Commercial Bank (Ho Chi Minh)

Bank For Foreign Trade of Vietnam ('VIETCOMBANK')
(Head Office Hanoi, Ho Chi Minh City and 23 provincial centres)

Bank for Investment and Development of Vietnam (Hanoi)

Bank of Tokyo Mitsubishi Ltd. (Hanoi, Ho Chi Minh)

Citibank N.A (Hanoi)

Eastern Asia Commercial Bank (Ho Chi Minh City)

Indovina Bank (Ho Chi Minh City)

Industrial and commercial Bank of Vietnam (All Branches in Vietnam)

Korea Exchange Bank (Hanoi)

Nam A Commercial Joint Stock Bank (Ho Chi Minh City)

Saigon Thuong Tin Commercial Joint Stock Bank ('Sacombank')
(Ho Chi Minh)

Standard Chartered Bank (Hanoi)

VID Public Bank

Vietnam Bank for Agriculture and Rural Development
(Hanoi*) - VND & USD

Vietnam Export Import Commercial Joint Stock Bank (Ho Chi Minh)

Woori Bank (Hanoi)

Note: Those marked with " *" have clearing accounts in the stated currencies.

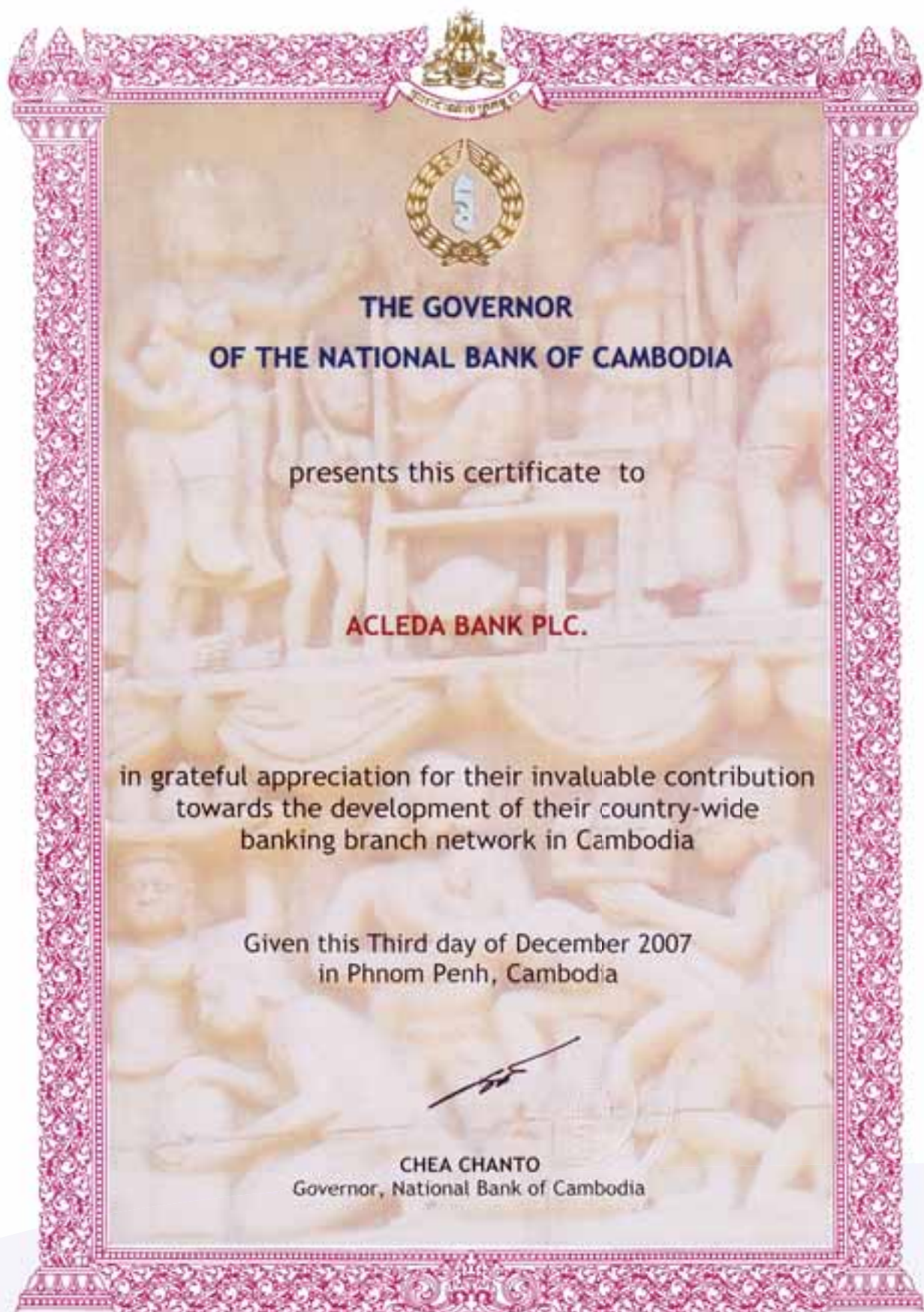


ACLEDA Bank's 24 hours a day, 7 days a week Call Center



One of the bank's IT centers

ACLEDA Bank Plc's Award





CGAP Financial Transparency Award 2005



Mr. In Channy receives certificate from H.E. Chea Chanto, Governor of the National Bank of Cambodia



10th Anniversary Tridos Doen Award



Certificate of Appreciation for Global Payments and Cash Management from HSBC Bank 2008



IFC's Client Leadership Award 2005



Certificate of Achievement from Standard Chartered Bank 2006



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Call Center: +855 (0)23 994 444

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Website: www.acledabank.com.kh

SWIFT: ACLBKHPP