



Annual Report 2001





The expanding range  
of services from ACLEDA BANK



# Contents

2	Highlights
3	Chairman's Report
4	General Manager's Report
5	Organization Chart and Nationwide Branch Network
7	Economy in 2001 and Trends for 2002
8	Cambodia Economic Indicators
10	Board of Directors
12	Executive Management
13	Report of the External Auditors

## ACLEDA BANK Limited

### Financial Highlights

	31/12/01 \$US (full year)	30/6/01 \$US (six months)	31/12/00 \$US (four months)	Change Percent <sup>1</sup>
Assets	27,341,129	25,510,800	22,294,714	22
Loans (Net of Provisions)	20,114,804	19,874,246	16,667,328	20
Liabilities	22,652,904	19,397,027	17,971,411	25
Deposits	1,949,991.15	1,559,354	0	
Issued and Paid-up Capital	4,000,000	4,000,000	4,000,000	
Number of shares	400,000	400,000	400,000	
Total Income before fin. cost	7,323,638	4,690,293	2,232,529	
Profit (loss) Before Tax	593,960	414,079	390,313	
Net Profit	475,168	326,197	312,250	
Net Profit per share	1.19¢	0.82¢	0.78¢	
Dividend	0.35¢	N/A	0.2342¢	
<b>Financial Ratio(%)</b>				
Rate of Return on Average Assets	1.91%	1.37%	1.49%	
Rate of Return on Average Equity	11.43%	7.44%	7.50%	
Capital Adequacy Ratio	73.34%	70.91%	87%	
Exchange Rate at the end of period (Riel/USD)	3,895	3,915	3,905	
Number of branches/offices	66	66	48	38
Number of staff	662	621	468	42

<sup>1</sup> From 31/12/00 to 31/12/01

## Chairman's Report

Throughout the year 2001, Cambodia's economy continued to improve, although parts of the agriculture sector still face a number of obstacles. For the financial institutions, the National Bank of Cambodia will continue its efforts to strengthen bank supervision and improve credit-monitoring capabilities in preparation for the challenge of international competition.

In the conviction that micro and small business are the lifeblood of the economy ACLEDA BANK believes that supporting these businesses will make a significant contribution to the well-being of the society as a whole and especially the poor in the rural areas. In order to service these businesses, ACLEDA BANK expanded its loan portfolio by approximately 26 percent during the year 2001.

The operating results of the Bank for the past year show that ACLEDA was able to achieve a satisfactory profit even in its first full year as a bank. Net profit for the year 2001 was US\$475,168. Total financial income including interest income and other income was US\$7.323 million. Total assets as at 31<sup>st</sup> December, 2001 were US\$27.341 million and loans totaled US\$21 million. At the end of 2001, the Bank had a total of 662 staff, an increase of 194 from 31<sup>st</sup> December 2000 representing 42 percent. We are also pleased to see this performance reflected in the net asset value per share which rose by over 12 percent during the year.



Management and staff are to be complimented on these achievements, which reflect a focused approach to cost control, risk management, and business generation, combined with good execution of a well thought out strategy.

For ACLEDA BANK, the first year as a new specialized bank marked significant changes in every aspect. The focus has been centered on the training of new staff, introducing new products like Savings, Transfers, and to improve our productivity and capability in all areas of the business. We are improving our services to customer, increasing our business volume and working hard to build portfolio quality.

It is natural that during a short period of rapid change, some staff will feel uncertain. Change is never easy. I am confident that once our staff see the results of the changes they will appreciate their significance in maintaining ACLEDA BANK's strong position.

For 2002, the Bank's primary goal continues to be the development of its systems and operations to create more jobs for households in the rural area, and generate value and consistent profits for shareholders. The bank will also continue to offer its regular services, as well as introducing new services to meet the changing needs of our customers. The bank will continue to operate under the vision **"To be the best quality service and the most trusted**

**bank in Cambodia with financial strength, sustainable profits, progressive growth and the best governance"**.

Beside providing credit for micro, small and medium scale industry, the Bank will also emphasize seeking revenue in the form of fees such as transfer fees and payment services.

The Bank will continue to improve its technological lead by expanding operation of its new IT system, GLOBUS™, to facilitate funds transfers and the management of treasury and deposit taking to cope with increased competition in this era of rapid technological changes, as well as offering services that are more responsive to the needs of customers. The expanded Customer Database will also be effectively used in business development.

The Bank's Board of Directors and executive management are fully aware of the importance of a sound internal control system as a vital mechanism for controlling banking operations.

On behalf of the Board of Directors, I would like to take this opportunity to send our best wishes to the executive management and the staff of ACLEDA BANK and to thank them for all their efforts throughout 2001.

I would like also to express my appreciation to the Board of Directors for their support throughout the year. In particular I would like to thank Ms Jacqueline Barendse who resigned during the year to take up another appointment. As one of the founding members of the Board her contribution to the transformation process was invaluable. We welcome Ms Jutta Wagenseil to the Board and hope she will enjoy her time with us. To the Committees for their leadership and guidance and the Shareholders for their confidence in the direction we are taking we also convey our gratitude.

Finally, I would like also to express my appreciation to the Ministry of Economy and Finance, the National Bank of Cambodia, the general public, and all of our customers for their continued confidence in and support for ACLEDA BANK.

A handwritten signature in black ink, appearing to be 'CS' or similar initials, written over a light blue horizontal band.

Chea Sok  
Chairman



# General Manager's Report

## Milestones

2001 has been a significant year in the history of ACLEDA BANK: a year in which a number of milestones on the road to success were achieved.

- First full year as a licensed specialised bank.
- Total Assets increased 22.6% to US\$27.3 million.
- Loan portfolio rose 26% passing the US\$20 million mark.
- Two more provinces Svay Rieng and Prey Veng brought into the network and the number of branches increased from 48 to 66. ACLEDA now covers 14 out of 21 provinces the most extensive banking network in the country.
- Launching of Cambodia's first on-line world class banking IT system 'GLOBUS™' ultimately linking all branches.
- Debut of Deposit taking: ACLEDA introduces a complete range of new products and services, including:

- Savings, Fixed Deposits and Current Accounts for the people
- New loan products for micro, small and medium enterprises ('MSEs'/'SMEs')

- Provincial Funds Transfer system
- Cash Management services for manufacturers and distributors
- Payroll Accounts
- Western Union International® Money Transfers

- Inauguration of 5-year Strategic Review and Business Plan



## Management and Staff

As the Chairman has pointed out, such events and initiatives demand enormous effort and commitment on the part of management and staff and during the year a number of important changes to the management structure have been introduced both to deal with the present as well as take the bank forward into a period where 'change' is going to be part of the day to day working environment.

Five key management areas; Operational Risk, Asset and Liability Management, Internal Control and Audit, Information Technology and Human Resources, have been identified and set up on a proper footing whilst the Credit Management and Treasury functions have also been strengthened.

## Results

In spite of these successes the results fell somewhat short of our own, perhaps too high, expectations. The reasons for this - and the lessons that have been learned - are, firstly, that rapid expansion in business growth, range of products and services and branch network place enormous stress on human resources and more difficulty than anticipated was experienced in recruiting suitable staff and training them up fast enough to meet the plan. Secondly, external factors, such as the weather, can have an unforeseen but nevertheless serious impact on portfolio quality and growth potential the heavy flooding during the monsoon season followed by prolonged drought in some provinces were significant factors in last year's results. Lastly, regulatory changes to the interest rate regime which introduced mandatory declining balance methodology had a negative, albeit largely provided for, influence on lending margins.

## 2002 and the future

As the Five Year Strategic Review has highlighted, 2002 and the next few years will be ones of enormous challenge not just for ACLEDA but for the domestic financial sector as a whole. The local banks have gone through a difficult year with some failing to meet the stringent new capital requirements and have been shut down. As a result, whilst this will bring longer term rationalisation to the industry, banks still do not enjoy the widespread trust amongst the general public in Cambodia that they should. For their part foreign banks seem to be in retreat: two are withdrawing and the rest are not interested in the low end commercial and retail business and do not have the network to support those segments.

### Against this background there are significant opportunities for ACLEDA.

ACLEDA has a branch network and IT systems unequalled by any other financial institution in Cambodia and uniquely equipped to deliver low end and retail banking products as well as Cash Management services. This network is set to expand as the logistic infrastructure improves in provincial areas.

ACLEDA is well set up to provide outsourcing provincial funds transfer services to other banks who should be regarded not only as potential competitors but also as potential customers for these services.

ACLEDA is a leader in handling local currency operations particularly in the provinces.

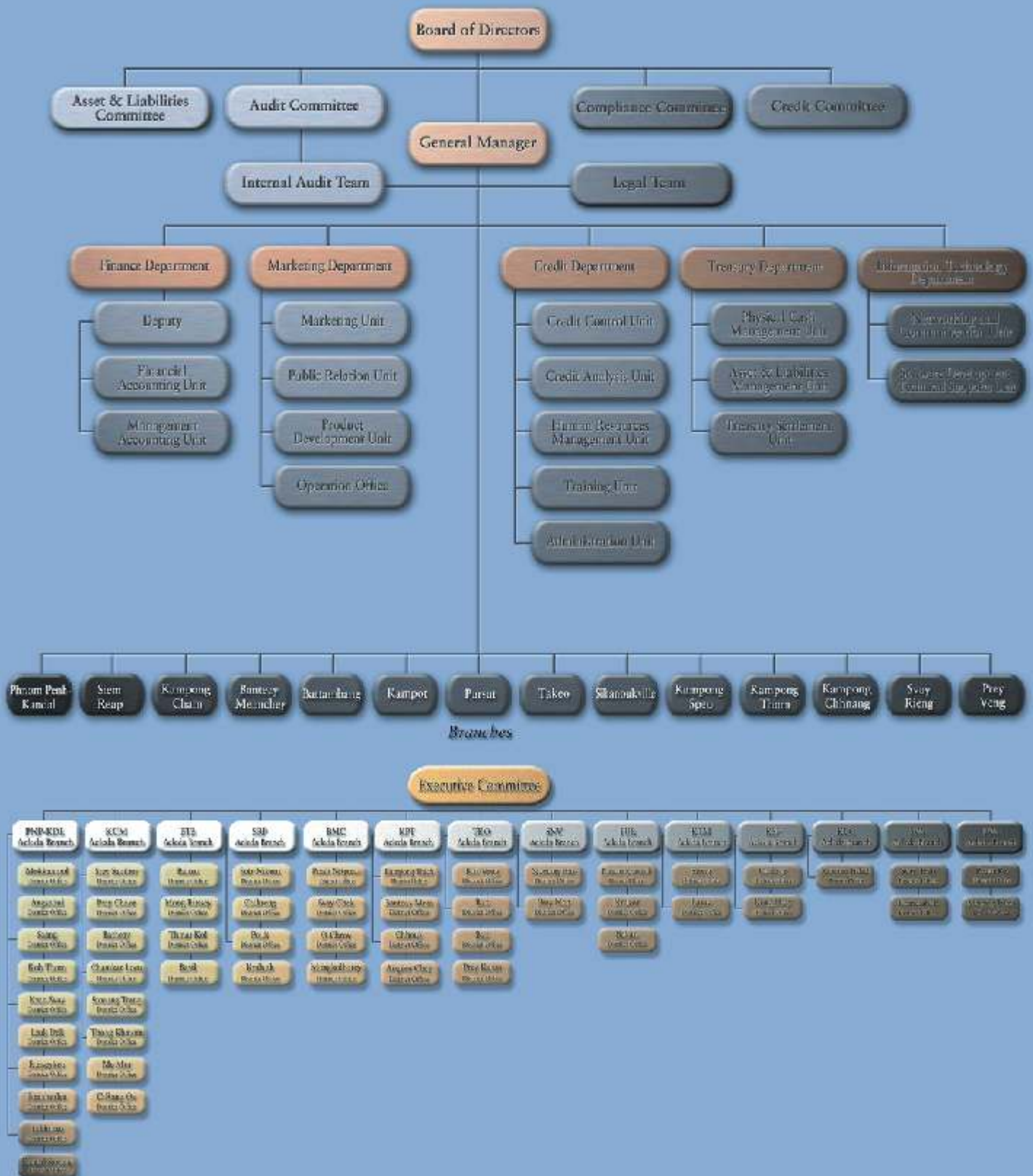
Above all, in its core market, whilst ACLEDA has almost 60% market share, the total potential market itself is more than three times larger than is currently serviced by the entire microfinance community in Cambodia. This represents an enormous opportunity for growth for all providers in general and ACLEDA in particular.

In order to realise these possibilities, ACLEDA will focus on three main areas: rational branch expansion to meet market demand, selective introduction of new products to both satisfy customer needs and provide a balanced and manageable range of services and, above all, develop our Human Resources capabilities to ensure a continuing supply of motivated, mature and well trained staff to carry the bank forward. The two flags behind which ACLEDA will march will be sustainable growth in shareholder value and commitment to providing the ordinary people of Cambodia with a reliable and trustworthy banking service to mobilise the vast economic potential still dormant in the countryside.

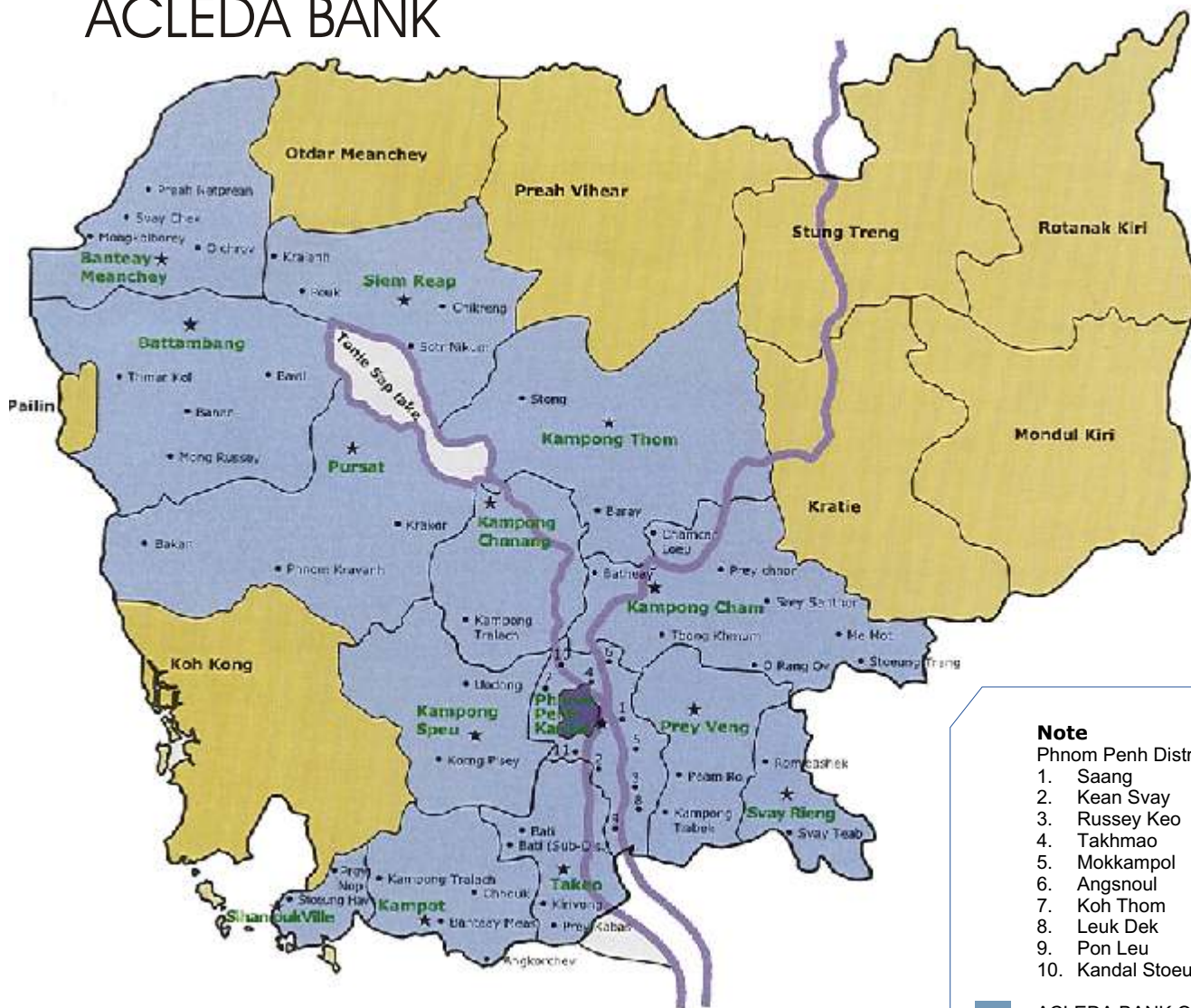
A handwritten signature in dark ink, appearing to read 'In Channy'.

In Channy  
General Manager

## Organizational Chart Of ACELDA BANK Limited



# Cambodia Map of ACLEDA BANK



## List of ACLEDA BANK Limited Branches

		Main Offices	District Offices
Headquarters	:	1	
<b>Branch Network</b>			
1) Phnom Penh-Kandal Branch	:	1	10
2) Siem Reap Branch	:	1	4
3) Kampong Cham Branch	:	1	8
4) Banteay Meanchey Branch	:	1	4
5) Battambang Branch	:	1	4
6) Kampot Branch	:	1	4
7) Pursat Branch	:	1	3
8) Takeo Branch	:	1	4
9) Sihanoukville Branch	:	1	2
10) Kampong Speu Branch	:	1	2
11) Kampong Thom Branch	:	1	2
12) Kampong Chhnang Branch	:	1	1
13) Svay Rieng Branch	:	1	2
14) Prey Veng Branch	:	1	2



## ***The Cambodian Economy in 2001***

In 2001, the Government adopted the second Socio-Economic Development Plan (SEDPII) for 2001-2005. SEDPII has the ultimate goal of reducing poverty with its three main strategies:

- achieving long-term, sustainable economic growth at the rate of 6-7% per annum;
- equitable distribution of the fruits of this economic growth between the haves and the have-nots, between the urban and rural areas and between the two opposite sexes;
- sustainable management of the environment and natural resources.

### **Real sector**

Economic growth in 2001 is 5.3 percent, driven by buoyant activity in the garment and tourism sectors. Damage to agricultural production following by heavy flooding in late 2000 was not as severe as expected.

### **Inflation**

Inflation slowed down from 12.6 percent in 1998 to -0.5 percent in 1999 and maintained below 1 percent in 2000 and 2001. Preliminary indications suggest a rebound in agricultural production occurred in the second half of 2001.

### **Exchange Rate**

The exchange rate remained relatively stable throughout 2001 (3,915=1US dollar at the beginning of the year and 3,905 at the end of the year), except for a slight weakening during July (3,944) and September (3,953). The National Bank of Cambodia had pursued a flexible exchange rate policy to keep a spread between the official and parallel market exchange rate at less 1 percent.

### **Money and Banking**

The growth rate of currency in circulation is 9.6 percent at the end of 2001. Broad money was increased by 21.6 percent led by a rise in foreign currency deposit of 27 percent and the saving and fixed deposit in Riel 30 percent. In December 2001 the net foreign assets increased 14.9 percent, while net domestic assets increased only 1.2 percent. Credit to private sector increased from 898 billion riel to 1,000 billion Riel.

### **Balance of Payment**

The current account (excluding official transfers) deficit was US\$ 211.2 million in 2001. Overall exports reached US\$ 1,175.6 million, increasing 8 percent. At the same time, imports increased by 3.4 percent.

## ***... and Trends for 2002***

The outlook for 2002-2003 is positive with the economy expected to grow at or above the same rate as in 2000-2001. Garments and tourism will continue to be the most dynamic areas with the latter's contribution to the economy and the current account becoming increasingly important. The recent opening of Siem Reap airport to international flights has boosted the flow of visitors to the country.

The net domestic assets of the National Bank of Cambodia are targeted to increase 9 percent, and the currency in circulation is projected to expand by 8 percent. The annual increase in broad money is targeted at 19 percent, deposits in foreign currency by 23 percent and net foreign assets by 12 percent.

Source: IMF, NBC

# Cambodia Key Economic Indicators

Forecast of Cambodia's Key Economic Indicators

	1997	1998	1999	2000	2001	2002
<b>1.GDP</b>						
<b>GDP % change</b>	3.7	1.8	6.9	5.4	5.3	4.5
<b>Per capita GDP</b> (in U.S. dollar)	282	249	241	239	249	265
<b>2.Inflation</b>						
<b>Inflation</b> (final quarter basis)	9.1	12.6	-0.5	-0.8	0.6	3.0
<b>3.Government budget</b> (In percent of GDP)						
<b>Revenue</b>	9.6	8.9	11.5	12.1	12.4	13.2
<b>Expenditure</b>	13.8	14.9	15.9	17.8	18.2	19.1
<b>4.Money and Credit</b> (12 month percent change)						
<b>M2</b>	16.6	15.7	17.3	26.8	21.6	19
<b>Credit Private sector</b>	46.4	2.8	17	22	25	13
<b>5.Balance of Payment</b>						
<b>Export</b>	786	867	971	1,399	1,175	1,402
<b>Import</b>	-1,050	-1,094	-1,230	-1,734	-1,386	1718
<b>Trade Balance</b>	-263	-227	-259	-336	211	-318
<b>Current account</b> (excl.off.transfer)	-493	-224	-276	-316	-301	-358
<b>Current account</b> (incl.off.transfer)	-193	-30	-55	-42	-21	-72
<b>Exchange Rate</b> (Riel per dollar end period)	3,452	3,780	3,775	3,905	3,895	3,900

Source: IMF, NBC



# Shareholders

## ACLEDA NGO

The Association of Cambodian Local Development Agencies (ACLEDA) NGO is an independent Cambodian Non-Government Organization established in 1993 which aims to raise the standards of living of the poor by promoting economic activities ranging from self-employment and small business to medium size. Following the decision to transform the business, into a self-sustaining financial institution, ACLEDA BANK was established in October 2000 and the original ACLEDA was officially renamed ACLEDA NGO. ACLEDA NGO's main objective is to enhance sustainable access to finance, through ACLEDA BANK, in order to stimulate the local economy thereby raising income generation and employment opportunities for the poor. This objective is in line with the Government's policy to stimulate the economy and to alleviate poverty in Cambodia.

*ACLEDA NGO's main activities are:*

- To provide funds to ACLEDA BANK for the purpose of providing credit for the lower segment of the market and Cambodian entrepreneurs.
- To act as one of the shareholders of ACLEDA BANK

## ASA, Inc

The ACLEDA Staff Association, Inc (ASA, Inc) is 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

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

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

## FMO

The FMO (the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV or Netherlands Development Finance Company) is the Dutch development bank targeting the expansion of private enterprises in emerging markets. FMO aims to promote sustainable development of the private sector in developing countries.

FMO has an investment portfolio of EUR1, 79 billion covers 78 countries, making it one of the largest bilateral development banks in Europe. FMO has excellent access to capital markets, in part attributable to the "Triple A" status that was conferred in 2000.

## THE INTERNATIONAL FINANCE CORPORATION (IFC)

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

IFC has 175 member countries, which collectively determine its policies and approve investments.

IFC's authorized capital is \$2.45 billion.

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

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

IFC's mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, and provides technical assistance and advice to governments and businesses. Since its founding in 1956, IFC has committed more than \$31 billion of its own funds and arranged \$20 billion in syndication for 2,636 companies in 140 developing countries. IFC's committed portfolio at the end of FY01 was \$14.3 billion.

## TRIODOS-DOEN FOUNDATION

Triodos-Doen Foundation was founded by Triodos Bank and DOEN Foundation in 1994. It is one of the first private funds worldwide investing in microfinance institutions. Triodos-Doen is managed by Triodos International Fund Management BV, part of the Triodos Bank Group from the Netherlands. Triodos-Doen is involved in over 25 microfinance institutions in Asia, Latin America, Africa and Eastern Europe and has a total portfolio of EUR 23.6 million. Other investments in microfinance banks, beside Acleda Bank, include K-REP Bank in Kenya, KMB Bank in Russia, Banco Solidario in Ecuador, and Akiba Commercial Bank in Tanzania.





**1- Mr. Chea Sok**, Chairman, Cambodian, born in 1943. He obtained Licence-es-Science Commercials in 1967. He joined Banque Khmère pour le Commerce (Commercial Bank) in 1965 as Branch Manager in Sihanoukville, Deputy BM Phnom Penh and Battambang till 1975. Branch Manager of National Bank of Battambang 1979-1990. From 1990-1999: Deputy Governor, Director Bank Supervision & Examination Department, Director Research Economic Department, General Director of National Bank of Cambodia (Central Bank). From 1992, he attended numerous courses and seminars on Macro-Economic Management and Micro-finance in several countries and in Cambodia Retired in 1999. Married to Sok Balen, Cambodian, with 3 children.

**2- Mr. John Brinsden**, OBE, Vice-chairman, British, born in 1942, he has lived in Asia for 36 years. He joined Standard Chartered Bank in 1961 and retired in 1999 as Resident Director, Mekong Sub-region. Married to Chuang Pi-Feng, Taiwanese, he now spends his time commuting between Western Australia, Vietnam and Cambodia. He chairs ACLEDA's Audit and Asset and Liability Management Board Committees and also advises the bank on product development and international relation. He is a life Associate of the Chartered Institute of Bankers of England and a Member of the Advisory Board of Mekong Project Development Facility, an initiative of the World Bank/IFC.



**3- Mrs. Jean Gilson**, Director. Jean Gilson brings to ACLEDA's board a combination of experience in structured finance from her previous US-based commercial lending position at First National Bank of Chicago and six years of retail banking experience. Since leaving banking, Ms. Gilson has spent the last 13 years working in emerging market countries in such areas as banking reform, privatization, microfinance, and trade reform. She contributes both international donor and consulting experience in financial institutions building (in both the formal and informal sector). Ms. Gilson has a B.A. in economics from Georgetown University and a Masters in international economics from the Fletcher School of Law and Diplomacy. She is a member of the Board Audit Committee.

**4- Mr. Emile Groot**, Director. Mr Emile Groot is currently in charge of FMO's Micro, Small and Medium Enterprise Development Programme. Before joining the Netherlands Development Finance Company (FMO) in 1985 he worked for almost ten years in several International Organisations in Latin America. Besides managing FMO's Small Scale Enterprise Fund, Mr Groot represents FMO in several Boards of Administration of (Micro) finance Institutions around the world. His specialised knowledge in the SME field is widely used by FMO for the promotion and finance of this important sector of the economy in emerging markets.



**5- Mr. Rauf Khalaf**, Director. German/Egyptian, born in 1956; Diploma in National Economics/University of Hanover. He started his career 1981 with the German Hapag Lloyd as financial consortia manager before joining "DEG German Investment and Development Company" the private investment arm of the German Government in 1986, where he executed viable project finances in Asia, Africa and East Europe with a special focus on capital markets. As Vice President/Financial Institutions he developed sustainable microfinance as a core DEG product. Since 2001 he runs his own "Micro-Cosmos Finance Services S.L.", concentrating on microfinance development and corporate finance enhancement. Married to Hedda, two children.

**6- Mr. Peter Kooi**, Director. Peter Kooi studied corporate finance and sociology at the Erasmus University in Rotterdam, the Netherlands. He advised ACLEDA, as a microfinance consultant over a period of seven years in its course from a development programme into a commercial bank. At present Peter Kooi works as a microfinance consultant for microfinance institutions and projects located mainly in Africa and Asia. He also chairs ACLEDA's Board Credit Committee.





**7- Mr. Lonh Thol**, Director, Cambodian, born in 1961. After studying Management Marketing he joined ILO in 1992 and moved to ACLEDA BANK in 1993 where he now works in the Administration Department. Married to Kong Ry, Cambodian with 4 children.

**8- Mrs. Sok Vanny**, Director, Cambodian, born in 1966. She studied accounting 1986-1992 and obtained Bachelor Degree of Sciences. She joined ACLEDA NGO in 1993 and now works in the Administration Department of ACLEDA BANK.



**9- Mrs. Jutta Wagenseil**, Director. Mrs. Jutta Wagenseil, - Deutsche Investitions und Entwicklungsgesellschaft mbH, German, born in 1953. She has more than 20 years of business experience in the Far East. She obtained a Master 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 working in the Business Cooperation Program (1988-1991) and in the Regional Department East and Southeast Asia (1991-2000). Since 2000 she is working in DEG's Portfolio Management as Vice President and Senior Investment Manager responsible for DEG's portfolio in Thailand, Vietnam and Cambodia.

## Committees of the Board of Directors

### Assets and Liabilities Committee (ALCO)

Chairman: Mr John Brinsden, OBE - 6 members

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

### Audit Committee

Chairman: Mr John Brinsden, OBE - 6 members

**Scope and purpose:** i) Ensure the integrity of the financial statements and adequacy of internal controls; act as liaison between the shareholders and independent auditors. Both internal and external auditors report to the Audit Committee.  
ii) Liaise with other Board Committees (e.g. Compliance) to ensure co-ordination of good governance

### Compliance Committee

Chairman: Mr Chea Sok - 6 members

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

### Credit Committee

Chairman: Mr Peter Kooi - 5 members

**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 policy and applicable laws and regulations

## ACLEDA BANK

### Executive Management Team

**Mr. In Channy**, General Manager, age 42, studied Business Administration at Gwynedd Mercy College, USA in 1990. He obtained a Bachelor Degree in Education at the Faculty of Advanced Education in Thailand, in 1992. From 1993, he has attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998, he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He was one the founders of ACLEDA in 1993 and has been its General Manager since its establishment. He is also a member of the Advisory Board of Mekong Project Development Facility, an initiative of the World Bank/IFC



**Mr. Chhay Soeun**, Finance Manager, age 49, 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. Since 1993, he has attended numerous courses on management and microfinance in Cambodia and several other countries. From 1997, he has 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 was one the founders of ACLEDA in 1993 and has been its Finance Manager since 1994.

**Mrs. So Phonnary**, Marketing and External affairs Manager, age 39, obtained a Bachelor Degree in Economic Science at the Economic Institute in Phnom Penh. Since 1993, she has attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998, she completed a course in microfinance at Colorado University, USA. From 1993, she worked in ACLEDA as business trainer and credit officer. In 1995 she was promoted to provincial branch manager. She was one the founders of ACLEDA in 1993 and has been its Marketing and Product Development Manager since 1996.



**Mr. Cheam Teang**, Treasury Manager, age 47, 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 has attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998, he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He is one the founders of ACLEDA in 1993 and worked as Provincial Branch Manager until 1998 when he was promoted to Operations Manager in 1998 and then became Treasury Department Manager since 2000.

**Mr. Chan Serey**, Credit Manager, age 46, obtained an Associate Degree in Education in Thailand in 1992. Since 1994, he attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998, he completed a 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 has been Credit Department Manager since 2000.



**Mr. Mach Terry**, Manager of the Information Technology department, age 36. He completed his higher school certificate in 1986 in Australia. He was awarded a degree in Bachelor of Science, in 1989 by Monash University in Australia. He majored in Computer Science and Statistics. He then proceeded to do a post-graduate diploma in Business Systems and was awarded the diploma in 1990 by the same university. He worked for several different organizations before joining the ACLEDA BANK. They include: Commonwealth of Australia, Monash University in Australia, UNHCR in Cambodia, World Vision Cambodia, International Labour Organization and , finally, ACLEDA NGO as consultant before assuming his present full time management position.

**Mr. Prom Visoth**, Legal Team Leader and Company Secretary, age 26, obtained a Bachelor Degree in Accounting at Faculty of Business in 1997 and Bachelor Degree in Private Law at Faculty of Law and Science Economic in 2000 in Phnom Penh, Cambodia. He has attended numerous courses on management and accounting in Cambodia. From 1998, he worked in ACLEDA as Accountant. In 1999 he was promoted to Technical Staff of Credit Department and from then receive continuously promoted to provincial branch manager in 2000. He has been Legal Team Leader and Company Secretary since 2001.



**Mrs. Kim Sotheavy**, Internal Audit Team Leader, age 36, obtained a Bachelor Degree in Economic Science at the Economic Institute in Phnom Penh. Since 1993, she has attended numerous courses on management and accounting in Cambodia. She worked in ACLEDA from 1995 as accountant. She was promoted to internal audit team leader since 1999.



## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001**

### **REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors of ACLEDA Bank Limited ("the Bank") presents its report and the Bank's financial statements for the year ended 31 December 2001.

#### **THE BANK**

ACLEDA Bank Limited is a public limited company formed under the laws of the Kingdom of Cambodia to operate as a specialised bank, under the regulations of the National Bank of Cambodia ("NBC"), through its head office in Phnom Penh and various branches elsewhere in the Kingdom of Cambodia. The Bank's special focus is to provide lending and other banking services for the lower segments of the market, and to engage in all other activities which the Board believes support this objective. On 6 October 2000, NBC issued a license for the Bank to conduct banking operations for a period of three years commencing on 7 October 2000.

Following the establishment of ACLEDA Bank Ltd. and its purchase of ACLEDANGO's micro-finance business as discussed in note 24 to the financial statements, the Bank continues to enhance sustainable access to financial services. In this way, it stimulates the local economy thereby raising income generation and employment opportunities for the poor. At present, ACLEDA NGO acts as the influential shareholder of the Bank in order to ensure adherence of the Bank to the objectives for which the NGO was originally established.

### **RESULTS AND DIVIDENDS**

The net income for the year ended 31 December 2001, after taxation, amounted to US\$ 475,168 (for the four months ended 31 December 2000: US\$ 312,250).

On 16 May 2001, dividends amounting to US\$ 93,675 were declared from the Bank's net income for the four-month period ended 31 December 2000.

### **PRINCIPAL ACTIVITIES**

The Bank's agencies are located in Phnom Penh and 14 provinces. They offer services in the following areas:

- practical training in entrepreneurship and small business management;
- support to development of business plans;
- loans of up to US\$ 70,000 for self-employment and agricultural activities, as well as for other micro and small scale industries.

### **EVENTS SINCE THE BALANCE SHEET DATE**

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

### **THE BOARD OF DIRECTORS**

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

- Mr. Chea Sok (Chairman);
- Mr. John Brinsden (Vice-Chairman);
- Mr. Peter Kooi;
- Mr. Rauf Khalaf;
- Mr. Emile Hubert Joseph Groot;
- Ms. Jean Gilson;
- Ms. Jutta Wagenseil
- 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.

## AUDITORS

The auditors, Pricewaterhouse Coopers, have expressed their willingness to accept re-appointment.

## STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for financial statements of each financial year which give a true and fair view of the state of affairs of the Bank and of the results of its operations, and its cash flows for the year ended 31 December 2001. In preparing those financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Bank will continue in business.

The Board of Directors confirms that the Bank has complied with the above requirements in preparing the accounts.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy and time, the financial position of the Bank and to ensure that the accounts comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## APPROVAL OF THE FINANCIAL STATEMENTS

We approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2001, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

On behalf of the Board of Directors,



Mr. Chea Sok  
Chairman



Phnom Penh, Kingdom of Cambodia

Date: 11 March, 2002

## **REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF THE ACLEDA BANK LIMITED**

We have audited the financial statements of ACLEDA Bank Limited (the "Bank") as at 31 December 2001 and for the year then ended, as set out on pages 5 to 28 which have been prepared in accordance with International Accounting Standards.

### **Respective responsibilities of the Board of Directors and the auditors**

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

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

### **Basis of opinion**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2001, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

## **PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED**

Phnom Penh, Kingdom of Cambodia

Date: 11 March, 2002





## Balance Sheet as at 31 December 2001

		31 December 2001		31 December 2000	
	Note	US\$	Riel '000	US\$	Riel '000
			(At year-end exchange rate)		(At year-end exchange rate)
<b>ASSETS</b>					
		1,922,296	7,487,343	1,114,747	4,353,087
Cash in hand	3	52,634	205,009	1,325,951	5,177,839
Settlement accounts with banks	4	2,996,342	11,670,752	2,685,468	10,486,753
Deposits with National Bank of Cambodia	5	20,114,804	78,347,161	16,040,390	62,637,723
Loans and advances to customers	6	411,480	1,602,715	537,402	2,098,555
Prepayments and accrued income	7	905,996	3,528,854	567,897	2,217,638
Property and equipment	8	856,290	3,335,250	-	-
Intangible assets		81,287	316,613	22,859	89,263
Other assets					
		<b>27,341,129</b>	<b>106,493,697</b>	<b>22,294,714</b>	<b>87,060,858</b>
<b>TOTAL ASSETS</b>					
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Customers' deposits	9	1,949,991	7,595,215	-	-
Accruals and other liabilities	10	1,290,510	5,026,536	829,606	3,239,611
Short-term loan	11	500,000	1,947,500	-	-
Senior debt	12	6,268,445	24,415,593	5,720,722	22,339,420
Subordinated debt	13	12,216,767	47,584,307	11,346,523	44,308,172
Staff pension liability	14	356,756	1,389,565	74,560	291,157
Provision for health insurance		70,435	274,345	11,053	43,162
		<b>22,652,904</b>	<b>88,233,061</b>	<b>17,982,464</b>	<b>70,221,522</b>
<b>TOTAL LIABILITIES</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital					
Retained earnings	15	4,000,000	15,580,000	4,000,000	15,620,000
General reserve		475,168	1,850,779	312,250	1,219,336
		213,057	829,857	-	-
		<b>4,688,225</b>	<b>18,260,636</b>	<b>4,312,250</b>	<b>16,839,336</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>					
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
		<b>27,341,129</b>	<b>106,493,697</b>	<b>22,294,714</b>	<b>87,060,858</b>



In Channy  
General Manager



Chhay Soeun  
Finance Manager

The accompanying notes form an integral part of these financial statements.

## *Statements of Changes in shareholders' Equity for the year ended 31 December 2001*

	Share capital US\$	Retained earnings US\$	General Reserve US\$	Total US\$	Total Riel '000 (At year-end exchange rate)
As at 1 September 2000	-	-	-	-	-
Issuance of shares	4,000,000	-	-	4,000,000	15,620,000
Net income for the four months ended 31 December 2000	-	312,250	-	312,250	1,219,336
<b>As at 31 December 2000</b>	<b>4,000,000</b>	<b>312,250</b>	<b>-</b>	<b>4,312,250</b>	<b>16,839,336</b>
Currency revaluation at balance sheet date	-	-	-	-	(43,121)
Prior period adjustment for additional income tax	-	(5,518)	-	(5,518)	(21,493)
Dividends declared	-	(93,675)	-	(93,675)	(364,865)
Transfer to general reserve	-	(213,057)	213,057	-	-
Net income for the year	-	475,168	-	475,168	1,850,779
<b>As at 31 December 2001</b>	<b>4,000,000</b>	<b>475,168</b>	<b>213,057</b>	<b>4,688,225</b>	<b>18,260,636</b>



# Statement of Income and Retained Earning for the year ended 31 December 2001

	Note	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)	For the four months ended 31 December 2000 US\$ Riel '000 (At year-end exchange rate)
<b>STATEMENT OF INCOME</b>				
Interest income	17	8,542,102	33,271,487	2,625,248
Interest expense	18	(1,699,073)	(6,617,889)	(593,062)
Net interest income		6,843,029	26,653,598	2,032,186
Grant income		-	-	93,663
Fees and commission income		16,883	65,759	3,551
Other operating income	19	463,726	1,806,213	103,129
<b>NET OPERATING INCOME</b>		<b>7,323,638</b>	<b>28,525,570</b>	<b>2,232,529</b>
<b>OPERATING EXPENSES</b>				
Administrative expenses	20	4,694,763	18,286,102	1,311,113
Depreciation and amortisation	7, 8	435,034	1,694,457	97,451
Other operating charges		62,222	242,355	35,724
<b>TOTAL OPERATING EXPENSES</b>		<b>5,192,019</b>	<b>20,222,914</b>	<b>1,444,288</b>
<b>OTHERS</b>				
Provision for losses on loans and advances		1,332,404	5,189,714	314,669
Provision for losses on loans interest		197,068	767,580	78,528
Foreign exchange loss - net		8,187	31,888	4,731
<b>TOTAL EXPENSES</b>		<b>6,729,678</b>	<b>26,212,096</b>	<b>1,842,216</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>593,960</b>	<b>2,313,473</b>	<b>390,313</b>
Income tax expense		(118,792)	(462,695)	(78,063)
<b>NET INCOME FOR THE PERIOD</b>		<b>475,168</b>	<b>1,850,779</b>	<b>312,250</b>

## STATEMENT OF RETAINED EARNINGS

Retained earnings at the beginning of the period	312,250	1,219,336	-	-
Currency revaluation at balance sheet date	-	(3,121)	-	-
Prior period adjustment for additional income tax	(5,518)	(21,493)	-	-
Dividends declared	(93,675)	(364,865)	-	-
Transfer to general reserve	(213,057)	(829,857)	-	-
Net income for the period	475,168	1,850,779	312,250	1,219,336
<b>RETAINED EARNINGS AT THE END OF THE PERIOD</b>	<b>475,168</b>	<b>1,850,779</b>	<b>312,250</b>	<b>1,219,336</b>



In Channy  
General Manager



Chhay Soeun  
Finance Manager

The accompanying notes form an integral part of these financial statements.



# Statements of Cash Flows

## for the year ended 31 December 2001

	Note	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)	US\$	For the four months ended 31 December 2000 Riel '000 (At year-end exchange rate)
<b>OPERATING ACTIVITIES</b>					
Income before income tax		593,960	2,313,473	390,313	1,524,172
Adjustments for:					
Provision for losses on loans and advances	5	1,332,404	5,189,714	314,669	1,228,782
Re-lending of interest paid	12, 13	1,450,432	5,649,433	-	-
Depreciation and amortisation	7, 8	435,034	1,694,457	97,451	380,546
Loss (gain) on disposal of property and equipment		2,043	7,957	(2,141)	(8,361)
Bad debts written off		(1,094,130)	(4,261,636)	(228,041)	(890,500)
Unrealised foreign exchange loss (gain) - net		15,111	58,857	(22,148)	(86,488)
Adjustment on subordinated debt	13	(5,043)	(19,642)	-	-
Net effect of currency exchange transactions on subordinated debt	13	(3,369)	(13,122)	-	-
Operating income before working capital changes		2,726,442	10,619,491	550,103	2,148,151
Changes in operating assets and liabilities:					
Statutory and reserve accounts with NBC		-	-	(200,000)	(781,000)
Loans and advances to customers		(4,312,688)	(16,797,920)	(1,794,802)	(7,008,702)
Prepayments and accrued income		125,922	490,466	(103,625)	(404,655)
Other assets		(58,428)	(227,577)	(22,859)	(89,264)
Customers' deposits		1,949,991	7,595,215	-	-
Accruals and other liabilities		488,480	1,902,630	618,217	2,414,138
Staff pension liability		282,196	1,099,153	74,560	291,157
Provision for health insurance		59,382	231,293	11,053	43,162
Income taxes paid		(151,886)	(591,594)	(13,642)	(53,272)
Net cash inflow from operating activities		1,109,411	4,321,157	(880,995)	(3,440,285)
<b>INVESTING ACTIVITIES</b>					
Payments to acquire property and equipment		(730,104)	(2,843,755)	(138,656)	(541,452)
Payments for intangible assets		(901,362)	(3,510,805)	-	-
Proceeds from sale of property and equipment		-	-	4,084	15,948
Cash and cash equivalents acquired in purchase of ACLEDA NGO's micro-finance business	24c	-	-	3,867,196	15,101,400
Net cash outflow from investing activities		(1,631,466)	(6,354,560)	3,732,624	14,575,896
<b>FINANCING ACTIVITIES</b>					
Proceeds from short-term loan		500,000	1,947,500	-	-
Payment of dividends		(93,675)	(364,865)	-	-
Repayments of senior loan		(39,164)	(152,545)	(129,033)	(503,874)
Proceeds from issuance of shares		-	-	2,203,570	8,604,941
Net cash inflow from financing activities		367,161	1,430,090	2,074,537	8,101,067
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(154,894)	(603,313)	4,926,166	19,236,678
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		4,926,166	19,236,678	-	-
Currency revaluation at balance sheet date		-	(49,261)	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16	4,771,272	18,584,104	4,926,166	19,236,678

The accompanying notes form an integral part of these financial statements.

# *Notes of the Financial Statements for the year ended 31 December 2001*

## 1. GENERAL

The ACLEDA Bank Limited ("the Bank") is a public limited company formed under the laws of the Kingdom of Cambodia to operate as a specialised bank, under the regulations of the National Bank of Cambodia ("NBC"), through its head office in Phnom Penh and various branches elsewhere in the Kingdom of Cambodia. The Bank's special focus is to provide lending and other banking services for the lower segments of the market, and to engage in all other activities which the Board of Directors believes support that objective. On 6 October 2000, NBC issued a license for the Bank to conduct banking operations for a period of three years commencing on 7 October 2000.

Following the establishment of the Bank and its purchase of ACLEDANGO's micro-finance business as discussed in note 24, the Bank continues to enhance sustainable access to financial services. In this way, it stimulates the local economy thereby raising income generation and employment opportunities for the poor. At present, ACLEDANGO acts as the influential shareholder of the Bank in order to ensure adherence of the Bank to the objectives for which the NGO was originally established.

The Bank's local development agencies are located in Phnom Penh and 13 provinces offering services in the following areas:

- business consultancy;
- practical training in entrepreneurship and small business management;
- support to development of business plans;
- loans of up to US\$ 70,000 for self-employment and agricultural activities, as well as for other micro and small scale industries.

As at 31 December 2001, the Bank had 662 employees (2000: 468 employees).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of presentation

The financial statements of the Bank, which are expressed in United States dollars (US\$), are prepared under the historical cost convention, drawn up in accordance with International Accounting Standards ("IAS").

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the NBC, each account of the financial statements has to be translated into Khmer Riel ("Riel") at the official rate of exchange as at reporting date. This translation is not in accordance with IAS and has not been prepared for use by parties, other than the NBC, and may not be appropriate for such use. As at 31 December 2001, this conversion was made at the rate of US\$ 1 to Riel 3,895 (2000: US\$ 1 to Riel 3,905)

### Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than ninety days to maturity. These include cash in hand, settlement accounts with banks, fixed deposits and current accounts with NBC.

### Loans and advances

All loans and advances are recognised when cash is advanced to borrowers.

Loans and advances are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and/or general provisions.

Loans and advances are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their expected realizable value. General provisions are made on the basis of past experience, current economic conditions and other relevant factors, to provide for losses known from experience to exist but not yet specifically identified.

### Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation.

Depreciation is provided on all property and equipment at rates calculated to write off the cost less estimated residual value, of each asset over its expected useful life as follows:

	Years
<b>Office equipment and motor vehicles</b>	2, 3, 5 and 8
<b>Communication equipment</b>	3 and 5

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating income. Repairs and renewals are charged to statement of income when the expenditure is incurred.

### Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

Amortisation is provided at an annual rate of 20%.

### Deferred income taxes

Deferred income tax is computed using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No temporary differences give rise to recognition of deferred income tax on the Bank's financial statements for the year ended 31 December 2001.

### Operating leases

Leases entered into by the Bank are all operating leases. Payments made under operating leases are charged to the statement of income on a straight-line period over the period of the lease.

### Revenue and expense recognition

Interest receivable and payable are recognized on a daily accrual basis, taking account of the principal outstanding and the interest rate applicable.

Commission and fee income are recognised in the statement of income at the date of the transaction.

Revenue grants are released to the statement of income over the periods they are expected to be received as stipulated in their respective grant agreements.

Expenses are recognised on an accruals basis.

### Pension obligations

The Bank accrues for staff pension as disclosed in note 14. The amount accrued is charged to the statement of income in the period to which they relate.

### Foreign currencies

Foreign currency transactions are translated into US\$ at the rates of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into US\$ at the rates of exchange ruling at the balance sheet date. Any resulting gains or losses are taken to the statement of income.

### Related party transactions

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

Transactions entered into with related parties, which were carried out on commercial terms and at market rates, consisted mainly of short-term and long-term loans obtained from shareholders, deposits received, staff pension fund and directors' remuneration. These transactions, including their outstanding balances at the year-end, are disclosed in the respective notes to financial statements.





*Notes to the Financial Statements  
for the year ended 31 December 2001*

### 3. SETTLEMENT ACCOUNTS WITH BANKS

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Standard Chartered Bank:				
Current account	47,479	184,931	307,243	1,199,784
Term deposit	-	-	608,499	2,376,189
Canada Bank:				
Current account	4,026	15,681	360,686	1,408,479
Savings	1,129	4,397	49,523	193,387
	<b>52,634</b>	<b>205,009</b>	<b>1,325,951</b>	<b>5,177,839</b>

Savings and term deposits earned annual interest at 2% and 3.5%, respectively, in 2001 (2.5% and 4%, respectively, in 2000), whereas current accounts do not earn interest.

### 4. DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Fixed deposits	2,300,000	8,958,500	2,000,000	7,810,000
Statutory deposit, interest-free	200,000	779,000	200,000	781,000
Reserve account	10,514	40,952	-	-
Current accounts:				
US\$	360,273	1,403,263	473,039	1,847,218
Riel	125,555	489,037	12,429	48,535
	<b>2,996,342</b>	<b>11,670,752</b>	<b>2,685,468</b>	<b>10,486,753</b>

The fixed deposits with NBC earned annual interest at 7/8 of SIBOR.

Following NBC Prakas No. B700-06, each licensed specialised bank maintains an amount equal to 5% of its registered capital in a permanent account with NBC. This is equivalent to US\$ 200,000 for the Bank held as statutory deposit with NBC.

### 5. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Loans and advances	20,980,016	81,717,162	16,667,328	65,085,916
Provision for losses on loans and advances	(865,212)	(3,370,001)	(626,938)	(2,448,193)
	<b>20,114,804</b>	<b>78,347,161</b>	<b>16,040,390</b>	<b>62,637,723</b>

All loans and advances were made to Cambodian nationals. Further details of gross loans and advances are as follows:

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
In Cambodian currency (Riel)	5,957,653	23,205,058	4,935,898	19,274,682
In United States dollar (US\$)	15,022,363	58,512,104	11,731,430	45,811,234
	<b>20,980,016</b>	<b>81,717,162</b>	<b>16,667,328</b>	<b>65,085,916</b>

At present, the Bank categorises its loan products based on the following currencies:

- a) *In Cambodian currency (Riel)* - The loan product line in Cambodian currency is further categorised into group loans and individual loans. The group loans use a group guarantee methodology serving 2 to 10 clients in each group with a maximum loan term of 12 months and a maximum loan size of Riel 1,500,000 for each group member. The repayment methods are weekly, bi-weekly, every four weeks and monthly. Individual loans are applied to upgrade group loan clients who individually need greater loans to expand their businesses. The loan size ranges from Riel 1,000,000 to Riel 100,000,000 with a maximum loan term of 24 months. The repayment methods are bi-weekly, every four weeks and monthly.
- b) *In United States dollar (US\$)* - This category of loan is provided to individual entrepreneurs. The loans are collateralised although high emphasis is placed on character lending, green lining and business plans. The maximum loan size is US\$ 70,000 with a maximum loan term of 24 months.

Total non-performing loans and advances to customers as at 31 December 2001 amounted to US\$ 1,234,248 (2000: US\$ 1,099,041). Loans and advances are considered as non-performing when they become overdue and are being provided for based on number of days overdue as follows:

	Micro loans	Small/medium loans
<b>From:</b>		
1 to 30 days	25%	10%
31 to 60 days	50%	-
31 to 90 days	-	25%
61 to 90 days	75%	-
91 to 180 days	-	50%
<b>Over:</b>		
90 days	100%	-
180 days	-	100%

Annual interest rates based on declining balance method (flat amortisation method in 2000) range from 36% to 60% for loans in Riel and from 24% to 36% for loans in US\$.

A general provision at the rate of 0.5% was provided on total loans outstanding after deducting specific provision. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

Details of movements of the provision for losses on loans and advances are as follows:

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Balance as at beginning of period	626,938	2,441,923	540,310	2,109,911
Provision for the period	1,332,404	5,189,714	314,669	1,228,782
Bad debts written-off	(1,094,130)	(4,261,636)	(228,041)	(890,500)
<b>Balance as at the end of the period</b>	<b>865,212</b>	<b>3,370,001</b>	<b>626,938</b>	<b>2,448,193</b>



# Notes to the Financial Statements for the year ended 31 December 2001

## 6. PREPAYMENTS AND ACCRUED INCOME

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Accrued interest income	339,173	1,321,079	377,906	1,475,723
Prepayments and other assets	71,807	279,688	48,765	190,427
Grants receivable	-	-	110,731	432,405
Other accrued income	500	1,948	-	-
	<b>411,480</b>	<b>1,602,715</b>	<b>537,402</b>	<b>2,098,555</b>

## 7. PROPERTY AND EQUIPMENT

	Office equipment US\$	Motor vehicles US\$	Communication equipment US\$	Leasehold improvements US\$	Others US\$	Total US\$
<b>Cost</b>						
As at 31 December 2000	643,549	724,357	78,353	-	-	1,446,259
Additions	442,733	172,579	80,639	12,558	21,595	730,104
Disposals	(13,303)	(22,400)	(3,392)	-	-	(39,095)
As at 31 December 2001	1,072,979	874,536	155,600	12,558	21,595	2,137,268
<b>Accumulated depreciation</b>						
At 31 December 2000	438,376	381,689	58,298	-	-	878,363
Charges for the year	185,609	174,472	21,523	3,209	5,149	389,962
Disposals	(13,303)	(21,270)	(2,480)	-	-	(37,053)
Total	610,682	534,891	77,341	3,209	5,149	1,231,272
<b>Net book value</b>						
As at 31 December 2001	<b>462,297</b>	<b>339,645</b>	<b>78,259</b>	<b>9,349</b>	<b>16,446</b>	<b>905,996</b>
As at 31 December 2000	<b>205,174</b>	<b>342,668</b>	<b>20,055</b>	<b>-</b>	<b>-</b>	<b>567,897</b>

## 8. INTANGIBLE ASSETS

Intangible assets comprise costs associated with the design and implementation of the GLOBUS computer software, related copyrights and other incidental costs. The details of intangible assets as at 31 December 2001 are as follows:

	US\$	Riel'000 (At year-end exchange rate)
Cost	901,362	3,510,805
Accumulated amortisation	(45,072)	(175,555)
<b>Net</b>	<b>856,290</b>	<b>3,335,250</b>





## 9. CUSTOMERS' DEPOSITS

The details of customers' deposits as at 31 December 2001 are as follows:

	US\$	Riel '000 (At year-end exchange rate)
Current accounts	1,295,625	5,046,459
Savings	414,524	1,614,571
Fixed deposits	239,842	934,185
	<b>1,949,991</b>	<b>7,595,215</b>

All customer deposits were from Cambodian residents.  
Further details of these deposits are as follows:

	US\$	Riel '000 (At year-end exchange rate)
US dollar	1,882,285	7,331,500
Riel	67,706	263,715
	<b>1,949,991</b>	<b>7,595,215</b>

The details of deposits held by related parties are as follows:

	US\$	Riel '000 (At year-end exchange rate)
Shareholders	322,190	1,254,930
Directors	74,188	288,962
Employees	317,184	1,235,432
	<b>713,562</b>	<b>2,779,324</b>

Interest rates are as follows:

	US\$	Riel
Current accounts	0%	0%
Savings deposits	2.00% per annum	2.50% per annum
Fixed deposits, based on amounts within stablished range, where:		
Interest is paid at maturity date	3.50% to 7.25%	3.50% to 7.25%
Interest is paid monthly	6.31% to 7.02%	6.31% to 7.02%



## 10. ACCRUALS AND OTHER LIABILITIES

	31 December 2001		31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Accrued expenses:				
Interest expense	800,599	3,118,333	580,431	2,266,583
Bonus	255,281	994,320	104,456	407,901
Professional fees	48,157	187,572	38,084	148,718
Utilities	6,083	23,693	4,566	17,830
Communication	5,502	21,430	4,381	17,108
Marketing expense	5,310	20,683	4,180	16,323
Accrued taxes:				
Profit tax	36,845	143,511	64,421	251,564
Withholding taxes	13,891	54,105	4,846	18,923
Salary tax	22,322	86,944	20,763	81,079
Others	96,520	375,945	3,478	13,582
	<b>1,290,510</b>	<b>5,026,536</b>	<b>829,606</b>	<b>3,239,611</b>

## 11. SHORT-TERM LOAN

The amount of US\$ 500,000 represents a short-term loan obtained from Triodos & Doen, shareholder, with annual interest rate at LIBOR plus 3%.

The total amount of loan is to be repaid by one principal installment on 1 July 2002. Furthermore, as agreed, the loan will be used exclusively for the financing of the loan portfolio.

## 12. SENIOR DEBT

Following the purchase of ACLEDA NGO's micro-finance business as discussed in note 24, the amount of senior loan is determined from the senior debt agreement and the addendum to this dated 12 September 2000 and 22 February 2001, respectively, between the Bank and ACLEDA NGO.

The details of senior debt and movements of this account balance are as follows:

	US \$
<i>As at date of transfer</i>	
Government of Cambodia (GOC) - in Riel	5,586,305
Accruals and other liabilities include US\$ 4,229 accruals denominated in Riel	153,759
Staff pension fund - in US\$	131,149
Total (see note 24a)	5,871,213
<i>Transactions in 2000</i>	
<i>Payments made during the period:</i>	
Staff pension fund	(6,198)
Accruals and other liabilities	(122,835)
Unrealised foreign exchange gain arising from year-end restatement of GOC loan	(21,458)
As at 31 December 2000	5,720,722
<i>Transactions in 2001</i>	
Re-lending of interest paid	572,600
<i>Payments made during the period:</i>	
Staff pension fund	(8,240)
Accruals and other liabilities	(30,924)
Unrealised foreign exchange loss arising from year-end restatement of GOC loan	14,286
<b>As at 31 December 2001</b>	<b>6,268,445</b>

ACLEDA NGO has signed two financing and project agreements with Kreditanstalt für Wiederaufbau (KfW) dated 24 January 1997 and 13 July 1999. According to the terms of agreements, the funds provided by KfW amounting to DEM 5,000,000 and DEM 7,000,000 have maturity of 15 years with grace periods of 10 years and 12 years, respectively. The funds will be reimbursed by the NGO to the GOC. In satisfaction of the portion of the purchase price payable under the terms of the Business Purchase Agreement (BPA), the Bank agreed to pay to NGO the equivalent of these amounts provided by KfW, including the outstanding amounts of accruals and other liabilities, and staff pension fund as at the date of transfer.

The loan matures on 1 July 2014 and the interest payment date falls within 14 days after each January 15 and each July 15. Interest rates payable on the respective portion of the loan denominated in US\$ and Riel will be the sum of 2.5% and SIBOR, and the Riel Refinance Rate in effect immediately before the interest period, respectively. Provided that the NGO Administrator is able to determine the Riel Interbank Rate before an interest period, the NGO will be entitled to require the use of that rate for that interest period in place of the Riel Refinance Rate.

At the request of the Bank, the NGO will re-lend to the Bank the full amount of interest received less any amount NGO believes is required to pay its operating expenses or to support other liabilities of the NGO. All such amounts will be lent on terms similar to those set out in this agreement. Other than for the staff pension fund and accruals and other liabilities, the Bank will pay the senior loan by instalments on interest payment dates, in the amounts and on the dates set out in Schedule 1 to the BPA.

The senior loan is not secured by any assets of the Bank.

13. SUBORDINATED DEBT

Subordinated loan represents the amount the Bank agreed to pay NGO in satisfaction of the portion of the purchase price payable under Section 2.02(b) of the BPA as disclosed in note 24.

The purchase price in Sections 2.02(b) and 2.02(c) of the BPA are adjusted and revised as required in Article 2.03 of the BPA, by an addendum to the subordinated debt agreement dated 22 February 2001. The amount to be satisfied by the subordinated loan is adjusted from US\$ 8,248,708 to US\$ 11,494,181 (see note 24b), with the currencies comprising the loan amount adjusted as follows:

- a) From US\$ 4,662,839 to US\$ 11,408,831
- b) From Riel 12,466,279,990 to Riel 283,477,837
- c) From Baht 15,796,623 to Baht 511,526

Additional adjustments were made based on another addendum to bring the amount of subordinated debt to US\$ 11,347,213. The addendum was made upon determination that the amounts for annual leave and bonus are in fact chargeable to ACLED ANGO.

The details of subordinated debt and movements of this account balance are as follows:

	US\$
Amount of subordinated debt as at date of transfer (see note 24)	11,494,181
Adjustments on:	
Annual leave	(75,456)
Accruals	(71,512)
As adjusted	11,347,213
Unrealised foreign exchange gain arising from year-end restatement of senior debt	(690)
As at 31 December 2000	11,346,523
Transactions in 2001	
Effect of currency exchange transactions from:	
US\$ to Riel	831,625
Riel to US\$	915,668
Riel to US\$	(924,262)
From US\$ to Riel	(826,400)
Re-lending of interest paid	877,832
Adjustment	(5,043)
Unrealised foreign exchange loss (gain) arising from year-end restatement of GOC loan	
In Riel	1,244
In Baht	(420)
As at 31 December 2001	12,216,767

Subject to Article 5 of the agreement, the Bank will not make any payment of principal for the subordinated loan before the amortisation date. Amortisation date is the date falling seven days after the day on which the following conditions have been fully satisfied:

- (i) the passage of the 15<sup>th</sup> anniversary of the subordinate loan agreement; and
- (ii) the payment in full of all the senior obligations which are due and payable on the 15<sup>th</sup> anniversary of the date of this agreement.

The loan will mature on the first interest payment date occurring in the tenth calendar year after the amortisation date. The Bank will pay the loan in approximately ten equal annual instalments, one such instalment falling due on the first interest payment date occurring in each of the first ten calendar years after the amortisation date. On the maturity date, all amounts owing under the agreement are due and payable.

The Bank will pay interest on the subordinated loan outstanding from time to time. Interest rates payable on the respective portion of the loan denominated in US\$, Baht and Riel will be sum of 2.5% and SIBOR, Baht Corporate Customer Rate and Riel Refinance Rate for any interest period, respectively. Provided that the NGO Administrator is able to determine the Riel Interbank Rate before an interest period, the NGO will be entitled to require that rate for the interest period in place of the Riel Refinance Rate. At the request of the Bank, the NGO will re-lend interest paid on a subordinated basis on terms similar to those set out in the agreement.

For the sole purpose of managing the exposure of the Bank to permitted currencies, and not to prepay or otherwise reduce the subordinated debt, the Bank will be entitled to NGO portions of the subordinated debt at any time. Any such amount received by NGO will be immediately re-lent by NGO to the Bank in the permitted currency requested by the Bank and in an amount equivalent to the amount received using the prevailing exchange rates in effect at the time of payment. Each such amount re-lent to the Bank will be automatically added to the subordinated debt denominated in the permitted currency of such amounts.

The subordinated debt is intended to be subordinated and treated as capital of the Bank under the laws of Cambodia and the regulations of NBC for purposes of calculating the net worth and capital adequacy of the Bank. Additionally, NGO and the Bank agree that the subordinated obligations will be unsecured.



# Notes to the Financial Statements for the year ended 31 December 2001

## 14. STAFF PENSION LIABILITY

The Bank accrues for staff pension whereby the Bank and employees contribute 10% and 5%, respectively, of the employees' monthly salary. The employees' contributions earn interest at 5% a year and fully reimbursable to all employees who have contributed, should they decide to leave the Bank for any reason.

The details of movements of staff pension liability are as follows:

	<b>31 December 2001</b>		<b>31 December 2000</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Balance as at beginning of period	74,560	290,411	131,149	512,137
Additions for the year:				
Bank's contribution	194,759	758,586	48,766	190,431
Employee's contribution	98,215	382,548	24,383	95,216
Interest	5,438	21,181	1,486	5,803
Distributions to employees	(16,216)	(63,161)	(6,273)	(24,496)
Reclassification to senior debt	-	-	(124,951)	(487,934)
	<b>356,756</b>	<b>1,389,565</b>	<b>74,560</b>	<b>291,157</b>

## 15. SHARE CAPITAL

The Bank's total initial registered, issued and fully paid capital amounted to US\$ 4,000,000 represented by 400,000 ordinary shares, each having an issue price of US\$ 10. Each share will have one vote and will participate equally in all dividends and other distributions of the Bank. The details of shareholding are as follows:

### 31 December 2001

<b>Shareholder</b>	<b>% of Ownership</b>	<b>Number of Shares</b>	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
ACLEDA NGO	45.61	182,443	1,824,430	7,106,155
ASA	5.39	21,557	215,570	839,645
DEG	12.25	49,000	490,000	1,908,550
FMO	12.25	49,000	490,000	1,908,550
IFC	12.25	49,000	490,000	1,908,550
TRIODOS	12.25	49,000	490,000	1,908,550
<b>Total</b>	<b>100.00</b>	<b>400,000</b>	<b>4,000,000</b>	<b>15,580,000</b>

### 31 December 2000

ACLEDA NGO (see note 24b)	44.91	179,643	1,796,430	7,015,059
ASA	6.09	24,357	243,570	951,141
DEG	12.25	49,000	490,000	1,913,450
FMO	12.25	49,000	490,000	1,913,450
IFC	12.25	49,000	490,000	1,913,450
TRIODOS	12.25	49,000	490,000	1,913,450
<b>Total</b>	<b>100.00</b>	<b>400,000</b>	<b>4,000,000</b>	<b>15,620,000</b>

## 16. CASH AND CASH EQUIVALENTS

	<b>31 December 2001</b>		<b>31 December 2000</b>	
	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)	<b>US\$</b>	<b>Riel '000</b> (At year-end exchange rate)
Cash in hand	1,922,296	7,487,343	1,114,747	4,353,087
Settlement accounts with banks	52,634	205,009	1,325,951	5,177,838
Fixed deposits and current accounts with NBC	2,796,342	10,891,752	2,485,468	9,705,753
	<b>4,771,272</b>	<b>18,584,104</b>	<b>4,926,166</b>	<b>19,236,678</b>

## 17. INTEREST INCOME

	For the year ended 31 December 2001		For the four months ended 31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Loans	8,508,040	33,138,816	2,604,862	10,171,986
Settlement accounts with banks	34,062	132,671	20,386	79,607
	<b>8,542,102</b>	<b>33,271,487</b>	<b>2,625,248</b>	<b>10,251,593</b>

## 18. INTEREST EXPENSE

	For the year ended 31 December 2001		For the four months ended 31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Subordinated debt	941,299	3,666,360	357,212	1,394,913
Senior debt	718,574	2,798,845	224,449	876,473
Others	39,200	152,684	11,401	44,521
	<b>1,699,073</b>	<b>6,617,889</b>	<b>593,062</b>	<b>2,315,907</b>

## 19. OTHER OPERATING INCOME

	For the year ended 31 December 2001		For the four months ended 31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Penalty income	292,211	1,138,162	76,973	300,580
Bad loans recovered	160,532	625,272	23,423	91,467
Others	10,983	42,779	2,733	10,672
	<b>463,726</b>	<b>1,806,213</b>	<b>103,129</b>	<b>402,719</b>

## 20. ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2001		For the four months ended 31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Staff costs	2,604,200	10,143,359	712,904	2,783,890
Consultancy fees	103,639	403,674	55,415	216,396
BOD Expenses	24,240	94,415	-	-
Other administrative expenses	1,962,684	7,644,654	542,794	2,119,611
	<b>4,694,763</b>	<b>18,286,102</b>	<b>1,311,113</b>	<b>5,119,897</b>

## 21. INCOME TAX EXPENSE

	For the year ended 31 December 2001		For the four months ended 31 December 2000	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Income before income tax	593,960	2,313,473	390,313	1,524,172
Income tax expense at rate of 20%	118,792	462,695	78,063	304,836

# Notes to the Financial Statements for the year ended 31 December 2001

## 22. CURRENCY ANALYSIS

The aggregate amounts of assets and liabilities denominated in currencies other than US\$ were as follows:

As at 31 December 2001	Thai Baht	Riel	Total	Riel '000 (At year-end exchange rate)
<b>Assets in foreign currency</b>				
Cash in hand	83	716,127	716,210	2,789,638
Settlement accounts with banks	60	1,993	2,053	7,996
Deposits with NBC	-	126,068	126,068	491,035
Loans and advances to customers - net	-	5,700,360	5,700,360	22,202,902
Other assets	-	154,144	154,144	600,391
	<b>143</b>	<b>6,698,692</b>	<b>6,698,835</b>	<b>26,091,962</b>
<b>Liabilities in foreign currency</b>				
Customers' deposits	-	67,706	67,706	263,715
Accruals and other liabilities	-	450,846	450,846	1,756,045
Senior debt	-	6,151,733	6,151,733	23,961,000
Subordinated debt	-	170,424	170,424	663,801
	-	<b>6,840,709</b>	<b>6,840,709</b>	<b>26,644,561</b>
<b>Net on balance sheet position</b>	<b>143</b>	<b>(142,017)</b>	<b>(141,874)</b>	<b>(552,599)</b>
<b>As at 31 December 2000</b>				
Total assets	1,871	6,138,894	6,140,765	23,979,687
Total liabilities	12,133	6,040,411	6,052,544	23,635,184
<b>Net on balance sheet position</b>	<b>(10,262)</b>	<b>98,483</b>	<b>88,221</b>	<b>344,503</b>

## 23. MATURITY PROFILE

The maturity profile of assets and liabilities was as follows:

As at 31 December 2001	Total US\$	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed date of maturity US\$
<b>ASSETS</b>							
Cash on hand	1,922,296	1,922,296	-	-	-	-	-
Settlement accounts with banks	52,634	52,634	-	-	-	-	-
Deposits with NBC	2,996,342	2,785,828	-	-	-	-	210,513
Loans and advances to customers	20,114,804	619,224	1,700,687	15,786,133	2,008,760	-	-
Prepayments and accrued income	411,480	15,155	43,329	352,996	-	-	-
Property and equipment	905,996	-	1,104	39,736	865,156	-	-
Intangible assets	856,290	-	-	-	856,290	-	-
Other assets	81,287	-	80,237	-	1,050	-	-
<b>TOTAL ASSETS</b>	<b>27,341,129</b>	<b>5,395,137</b>	<b>1,825,358</b>	<b>16,178,865</b>	<b>3,731,256</b>	<b>-</b>	<b>210,513</b>
<b>LIABILITIES</b>							
Customers' deposits	1,949,991	1,710,149	63,695	154,866	21,281	-	-
Accruals and other liabilities	1,290,510	13,891	1,239,775	36,845	-	-	-
Short-term loan	500,000	-	-	500,000	-	-	-
Senior debt	6,268,445	-	-	116,711	-	6,151,734	-
Subordinated debt	12,216,767	-	-	-	-	12,216,767	-
Staff pension fund	356,756	-	-	-	-	356,756	-
Provision for health insurance	70,435	-	-	-	-	70,435	-
<b>TOTAL LIABILITIES</b>	<b>22,652,904</b>	<b>1,724,040</b>	<b>1,303,470</b>	<b>808,422</b>	<b>21,281</b>	<b>18,795,692</b>	<b>-</b>
<b>Net liquidity surplus/(gap)</b>	<b>4,688,225</b>	<b>3,671,097</b>	<b>521,888</b>	<b>15,370,443</b>	<b>3,709,975</b>	<b>(18,795,692)</b>	<b>210,513</b>
<b>As at 31 December 2000</b>							
Total assets	21,726,817	4,926,166	2,365,959	11,432,547	2,802,145	-	200,000
Total liabilities	17,896,851	4,846	783,372	72,312	-	17,036,321	-
<b>Net liquidity surplus/(gap)</b>	<b>3,829,966</b>	<b>4,921,320</b>	<b>1,582,587</b>	<b>11,360,235</b>	<b>2,802,145</b>	<b>(17,036,321)</b>	<b>200,000</b>

## 24. PURCHASE OF ACLEDANGO'S MICRO-FINANCE BUSINESS

- a) ACLEDA NGO determined to convert its micro-lending operations into a licensed and commercially oriented micro-finance bank and to achieve this conversion by selling and/or transferring substantially all its existing assets, liabilities, staff and micro-lending operations to the Bank. As a result, the Bank purchased, as a going concern, the micro-finance business of ACLEDA NGO as at 31 August 2000 (under the terms and conditions of the BPA dated 12 September 2000 between ACLEDA NGO and ACLEDA Bank Limited). The purchase price at the date of transfer has been determined as representing the aggregate of amounts stipulated in the addendum to the BPA and subordinated and senior loan agreements dated 22 February 2001 between the Bank and NGO, as defined in Section 2.03 of the BPA.

The details of micro-finance business assets and liabilities of the NGO acquired by the Bank as at the date of transfer which, in the opinion of management equate to their fair values, are as follows:

	US\$
<b>ASSETS</b>	
Cash on hand	1,068,440
Settlement accounts with banks	2,798,756
Loans and advances to customers (net of provision for loan losses of US\$ 540,310)	14,332,216
Prepayments and accrued income	433,777
Property and equipment (cost of US\$ 1,355,272 less accumulated depreciation of US\$ 826,637)	528,635
<b>Total assets acquired</b>	<b>19,161,824</b>
<b>LIABILITIES</b>	
Long-term liabilities	
Government of Cambodia	5,586,305
Staff pension fund	131,149
Accruals and other liabilities	153,759
Total liabilities acquired and designated through senior debt (see note 12)	5,871,213
<b>Net assets acquired</b>	<b>13,290,611</b>

- b) Details of purchase price consideration in exchange for the net assets acquired are as follows:

	US\$
Subordinated debt (see note 13)	11,494,181
Issuance of shares (see note 15)	1,796,430
<b>Total consideration</b>	<b>13,290,611</b>

- c) Net cash inflow from purchase of Acleda NGO's micro-finance business:

	US\$
Total purchase price	13,290,611
Less: Cash and cash equivalents	(3,867,196)
Shares of stock issued to NGO	(1,796,430)
Subordinated debt	(11,494,181)
<b>Net cash inflow from purchase</b>	<b>3,867,196</b>





# Notes to the Financial Statements for the year ended 31 December 2001

## 25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

## 26. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2001, the Bank had the following:

- A) Capital commitments of US\$ 622,663 for Globus implementation costs and equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.
- B) Lease commitments for the lease of its head office and provincial offices, with details as follows:

US\$

Not later than one year	118,345
Within one year to five years	110,311
	<b>228,656</b>

In addition, for liquidity management, the Bank has established a standby line of credit of US\$ 100,000 for borrowing from an international bank for a period of up to three months for each borrowing. Each borrowing will be charged at SIBOR plus 2%. This is a committed line and is available under the following conditions:

- The payment of 1% as commitment fee;
- A BOD resolution confirming the acceptance of the facility;
- Availability is up to the next review date which is 31 May 2002.

## 27. SUBSEQUENT EVENT

On 21 January 2002, the Bank has paid NGO the interest on subordinate debt aggregating to US\$ 367,296 and Riel 225,327,868, and on senior debt amounting to Riel 1,462,387,810.

On the same date, the amount of Riel 675,558,940 was re-lent to the Bank upon its request to adjust the interest paid on senior debt on 16 July 2001. Accordingly, this adjusted amount borrowed from NGO will be automatically added to the outstanding principal amount of the senior debt denominated in the same currency in accordance with the terms of the agreement, as discussed in note 12.

## 28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.





Kampot



Takeo

Phnom Penh / Kandal



Kampong Chhnang

Pursat



Svayrieng



Battambang



Sihanoukville



Banteay Meanchey



Kampong Cham



Head Office



Kampong Thom



Siem Reap



Prey Veng



Kampong Speu







**ACLEDA BANK Limited**  
#28 Nao Tse Tung Blvd., Sangkat Boeung Trabek, Khan Chamcar Mon, Phnom Penh, P.O. Box 1149  
Tel: (855) 23 210 812 / 214 634 / 364 619 / 217 852 Fax: (855) 23 364 914  
E-mail: [acledabank@acledabank.com.kh](mailto:acledabank@acledabank.com.kh) Web site: [www.acledabank.com.kh](http://www.acledabank.com.kh)