

# Annual Report 2002







# Contents

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Financial Highlights .....	2
Chairman's Report.....	3
General Manager's Report .....	4
Organizational Chart and Nationwide Branch Network .....	5
Map.....	6
Economy in 2002 and Trends for 2003 .....	9
Cambodia Economic Indicators.....	10
Shareholders .....	11
Board of Directors .....	12
Report of Board of Directors and Board Committees .....	14
Environment, Social and Community Report.....	16
Executive Management .....	17
Report of the External Auditors.....	19



# Financial Highlights

	31/12/02 US\$	31/12/01 US\$	31/12/00 \$US	Change <sup>1</sup> (%)
Assets:	30,970,095	27,341,129	22,294,714	13%
Loan (Net of Provision):	26,965,145	20,114,804	16,667,328	34%
Liabilities:	25,832,602	22,652,904	17,971,411	14%
Deposits:	5,678,730	1,949,991	0	191%
Issued Capital:	4,000,000	4,000,000	4,000,000	
Number of shares:	400,000	400,000	400,000	
Total income before financial costs:	7,278,090	7,323,638	2,232,529	
Profit (loss) Before Tax:	747,915	593,960	390,313	26%
Net Profit:	589,268	475,168	312,250	24%
Net profit per share:	1.47	1.19	0.78	23%
Dividend:	0.442	0.35	0.2342	26%

## Financial Ratio (%)

Rate of Return on Average Assets:	2.04%	1.91%	1.49%	
Rate of Return on Average Equity:	12.12%	11.43%	7.50%	
Capital Adequacy Ratio:	55.04%	73.34%	87%	
Number of branches/offices:	75	66	48	13%
Number of staff:	864	662	468	30%

<sup>1</sup>From 31/12/01 to 31/12/02

# Chairman's Report

In this year 2003, ACLEDA Bank looks back on 10 years of service to the community. When we first started in 1993 as a group of microfinance and development NGOs none of us could have imagined the ACLEDA we have become today. It seems fitting therefore that we can celebrate this anniversary with a report that reflects a period of solid achievement both for our bank as well our country.

The Cambodia Economic performance in 2002 was broadly favourable despite the slowing of the expected Gross Domestic Product growth rate to 5 percent. The performance of the foreign exchange market during the whole year was relatively stable with insignificant fluctuations of the exchange rate for USD. The bank restructuring has been completed. During the re-licensing process 15 banks have been closed, 14 were awarded full banking licenses, and 4 were granted licenses to operate as Specialised Banks. As of date banks in operation comprised 17 institutions of which 3 are foreign bank branches, 10 locally incorporated and 4 Specialized Banks.

The National Bank of Cambodia has recognised that the Micro-finance Institutions are the pillars of the distribution of financial services in the rural areas and their development is of paramount importance to Cambodia. For this reason, ACLEDA Bank, as a Specialized Bank in microfinance, expanded its loan portfolio by approximately 34 percent during the year in 14 provinces.

2002 was a strong year for ACLEDA Bank. After 2 years in operation as a Specialized Bank in the year ended 31 December 2002, the net operating profit after tax increased by 24 percent to a record US\$589,268. Earnings per share grew by 23 percent to US\$1.47 and the proposed dividend per share was increased by 26 percent from US\$0.35 to US\$0.442.

The bank has maintained its leadership in the micro and small loan sector in the rural areas and also gained market share in the areas of on-line financial services such as Cash Management which has given the bank access to the corporate banking sector. This is an attractive segment as it leverages the network, diversifies revenue sources without requiring additional capital and enhances cashflow through the system providing additional funds for the core microfinance business. In addition, ACLEDA Bank launched several new products during 2002 including Overdrafts targeted at the Small and Medium Enterprise sector. In a report on Cambodia, the International Finance Corporation (IFC)<sup>1</sup> recognised the bank as one of Cambodia's healthiest financial institutions as well as having the country's most extensive branch network.

Your Board and executive management were confronted by a number of external challenges during 2002. These ranged from ill-informed attacks through the media to more considered debate concerning the effectiveness of microfinance in poverty alleviation and the future role of Specialised Banks as a class – the last of which remains undecided as of date. In the face of this spotlight on the industry ACLEDA Bank's sustained focus on good governance proved opportune. The nurturing of a corporate culture based on honesty, individual integrity, identifying and avoiding potential conflicts of interest, transparency, accountability and managerial responsibility, will continue to be the objective for the future.

On the subject of governance, as mentioned later in this report, the Assets and Liabilities, Audit, Compliance and Credit Committees have all taken a more prominent role during the year tackling the many issues which face a new bank in an expansionary phase of its development. Regulatory changes in debt provisioning, concerns on auditing standards raised by, amongst others, the Enron case and the structural inability of the market to absorb the surplus liquidity – particularly in local currency – were some of the challenges. In particular risk management and internal audit continue to be priority areas for your Board and the bank has recently strengthened the Internal Audit function by upgrading position of the Head of the Department and clarifying the reporting lines and responsibilities directly to the Board Audit Committee. A review to consolidate the responsibility for risk management is currently under way to ensure that the increasingly complex and diverse forms of risk which a commercial bank faces today are all covered.

The past year has seen the progress of our businesses in five key areas:

- i) improved operational results;
- ii) significant expansion of our loan portfolio at the same time as improving portfolio quality;
- iii) the strengthening of our HR function especially in the training area – ACLEDA is one of the largest recruiters of graduates in the country;
- iv) the extension of the GLOBUS on-line system to all 14 provincial branches and, most importantly;
- v) demonstrable improvements to the efficiency and effectiveness of customer service.

Market research has shown time and again that customers choose ACLEDA Bank because of service: appropriate products, convenience of the network, speed of delivery, good returns and, above all, confidence in its management and good governance practices.

But it is to the future we must face. The Board and management have completed a fundamental review of where we should be going and how we should be getting there. What is clear is that having set ourselves the target of creating one of Cambodia's leading financial institutions there is no going back and we have determined to seek a full commercial banking license at the earliest opportunity. Whilst microfinance will continue to be ACLEDA Bank's priority we will also expand in SME lending, development of cash management and other relationships with corporate customers, launching of new products and services targeted at consumer and retail customer needs and further integration of IT systems to obtain the maximum efficiencies in service delivery and MIS.

I would like to express my appreciation to the Board of Directors for their support throughout the year. In particular I would like to thank Mr. Rauf Khalaf and Ms Jean Gilson who resigned during the year to take up other appointments. As two of the founding members of the Board their contribution to the transformation process was invaluable. Replacing Rauf and Jean we welcome Ms. Femke Bos and, more recently, Mr. Deepak Khanna both of whom bring to the Board valuable financial skills and a broad range of institutional experience.

On behalf of the Board of Directors, I would like to thank all of our shareholders for their continued support and encouragement. I would like also to express my good wishes and gratitude to our executive management and all the staff of ACLEDA Bank for their efforts which have contributed so much to the success of the change program. In addition I would like to express my appreciation to all our customers as well as government agencies and the general public whom we look forward to serving in 2003.

  
Chea Sok  
Chairman

<sup>1</sup>IFC-SME/Cambodia 2002





# General Manager's Report

## A New Phase and a New Challenge

In 2003 ACLEDA Bank celebrates its 10th anniversary. While we can look back on a decade of remarkable growth against a background of enormous political and economic change it is the future which promises to be even more eventful. The year 2002 provides some hints as to what lies in store.

The last year has been one of immense challenge for our bank: a year in which the foundations have been laid for a new phase in our development which when seen through to its conclusion will leave ACLEDA Bank as the leading micro, retail and commercial bank in the country.

During 2002 we:

- increased Total Assets by 13.2% to US\$30.9 million.
- grew the Loan portfolio by 34% reaching US\$26.9 million.
- expanded our network in 14 provinces with 75 branches and offices providing the most extensive coverage in the country.
- extended the 'GLOBUS®' on-line banking system to all provincial branches.
- expanded our range of products and services to include:
  - Savings, Fixed Deposits and Current Accounts for the public
  - 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
- conducted a comprehensive 5-year Strategic Review and Business Plan to take the bank forward to 2007.

## Management and Staff

Last year I identified five key management areas which would receive particular attention during 2002. Operational Risk, Asset and Liability Management, Internal Control and Audit, and Information Technology have all fully justified the effort invested in them – sometimes in the most trying circumstances. However, Human Resources, which was only established as a separate administrative function at the beginning of the year, has been tasked with the particular burden of recruiting, training, assimilating and overseeing the welfare of a staff complement which grew by 30 percent from January to December, 2002, and by another 7 percent in the first two months of this year. ACLEDA Bank sets great store by the quality of its training both for novices as well as regular refresher programs for all senior staff. During 2002 alone 327 training programs – both internal and external – were delivered to 856 or 99 percent of the total staff.

## Achievements

Amongst the bank's financial results for 2002 there are two particular achievements which I think are worthy of note.

In the light of the portfolio weaknesses which I mentioned last year I am pleased to report that non-performing loans declined from 6.05 percent at the end of 2001 to 2.2 percent at the end of 2002 for loans in Riel and from 5.8 percent to 2 percent for loans in US dollars. At the same time, as revealed in the section on the Credit Committee later in this Report, ACLEDA Bank is not only fully compliant with the National Bank's regulations but actually maintains a higher level of provisioning than that mandated by the creation of a General Provision. Management believes that this approach – while conservative when strictly compared to past experience – is nevertheless justified by the additional risk we face at a time of such enormous change.

Secondly, it is satisfying to be able to report the increasing contribution of non-interest income to the results from almost nothing two years ago to 8 percent of total income by the end of 2002: a trend which is continuing strongly into 2003. This reflects the growth in cash management services and other non-lending activities and it is particularly encouraging that this percentage should have increased at a time when the traditional sources of income also performed so strongly. It continues to be a key management objective to diversify the revenue stream and to move away from undue reliance on capital intensive activities.

## 2003 and the Future

Following further consolidation in 2002 the future of the banking sector is becoming clearer. Against this background the Five Year Strategic Review has provided some positive directions for the bank to follow. In these times of change standing still is not an option and during the course of the year shareholders will be asked to approve some of the most far reaching measures since the transformation from NGO to bank. Although microfinance remains a core business its dominant position in provincial and especially rural areas together with its powerful on-line IT systems have propelled ACLEDA Bank into something more than 'just another MFI'. With larger businesses, national and, even, multi-national organisations increasingly using its cash-management services, and the public at large enjoying the benefits of ready access to a whole range of savings and transfer products, ACLEDA Bank has already become the leading supplier of retail banking services in Cambodia. In 2002 the number of depositors grew from 3,636 to 19,070 – an increase of 424 percent – and rose again by another 4,500 by the end of the first quarter this year. To exploit this we must direct it and channel our resources to where we see the best opportunities.

## Significant Opportunities for ACLEDA Bank

It is clear that ACLEDA Bank's best future lies in retail banking. Management sees that there are four distinct lines of business in which ACLEDA Bank can gain and sustain competitive advantage:

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

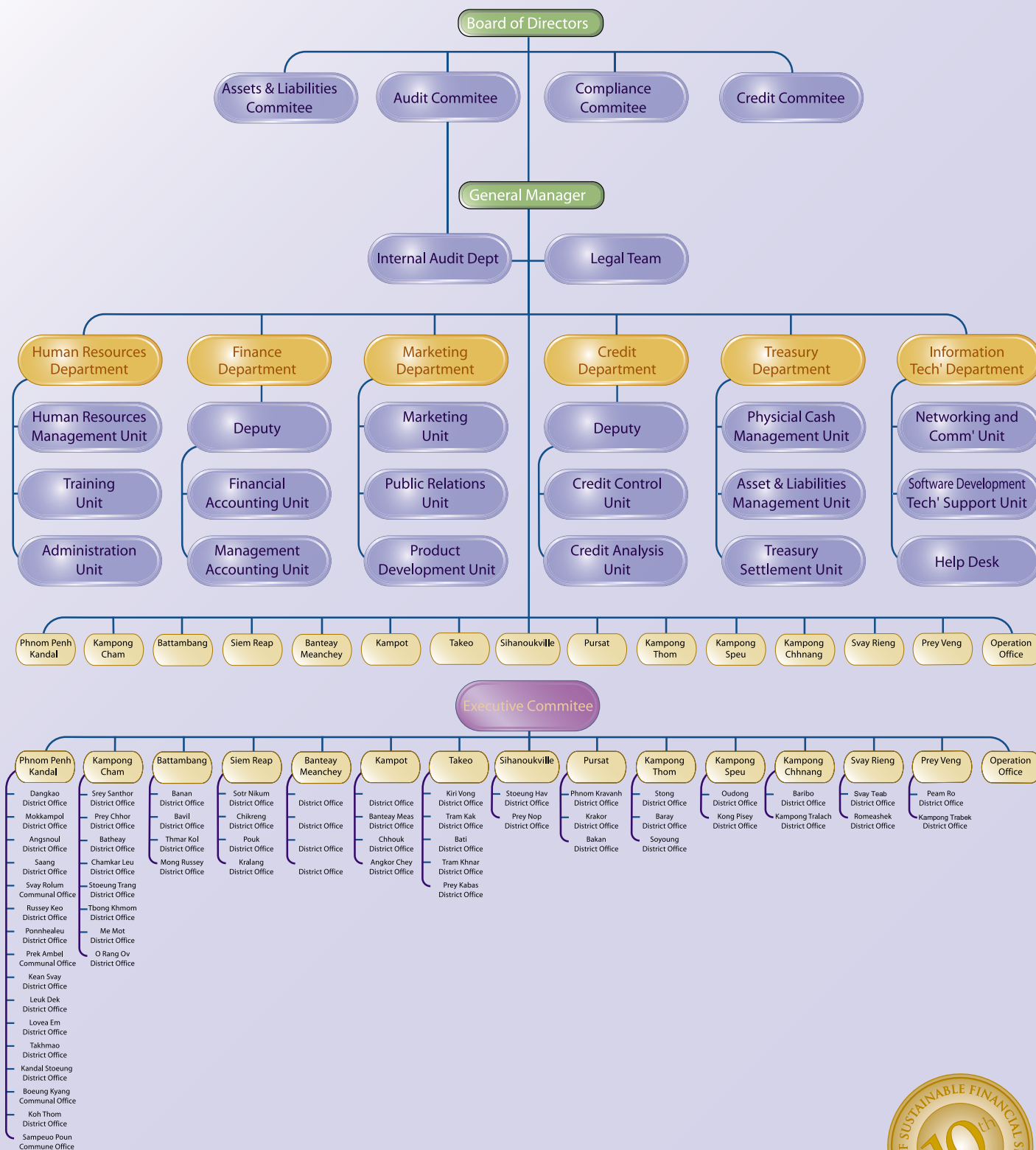
The bank either already has, or is fast achieving, a dominant position in each of these segments. The challenge for 2003 is to establish a firm institutional foundation upon which we can continue to build.



In Channy

General Manager

# Organizational Chart





# Cambodia Map

## Acleda Bank's Network

### Our Offices



#### Operation Office

#28, Mao Tse Tung Blvd., Sangkat Beung  
Trabek, Khan Chamkarmon, Phnom  
Penh, Kingdom of Cambodia.

P.O. Box: 1149

Tel: (855) 23-364619 / 210812 / 214634  
/ 217852

Fax: (855) 23-364914 / 217816 / 213239

#### Phnom Penh/Kandal

#55A-B, St. 113, Sangkat Beung Keng Kang 3, Khan Chamkarmon, Phnom Penh.

Tel: (855) 23-210835 Fax: (855) 23-364914



## Operation Office

#28, Mao Tse Tung Blvd., Sangkat Beung Trabek, Khan Chamkarmon, Phnom Penh.  
P.O. Box: 1149 tel: (855) 23-364619 / 210812 / 214634 / 217852 fax: (855) 23-364914 / 217816 / 213239

## Phnom Penh / Kandal

- Dangkao
- Mookkampul
- Ang Snoul
- Saang
- Svayrolum
- Prek Ambel
- Kean Svay
- Leukdaek
- Lvea Aem
- Russey Keo
- Ponhea Leu
- Takhmao
- Kandal Steoung
- Boeung Khyang
- Koh Thom
- Sampeuo Poun

#55A-B, St. 113, Sangkat Beung Keng Kang 3, Khan Chamkarmon, Phnom Penh.  
tel: (855) 23-210835 fax: (855) 23-364914

#333 AEO, Phum Por Prork Cheung, Sangkat Kakap, Dangkao District, Phnom Penh.

Phum Krom, Khum Praek Anchagn, Mookkampul District, Kandal Province.

Phum Bekchan, Khum Bekchan, Ang Snoul District, Kandal Province.

Phum Praek Run, Khum Prek Koy, Saang District, Kandal Province. tel: (855) 23-365 959

Phum Lex 3, Khum Svayrolum, Saang District, Kandal Province.

Phum Treuy Troeung, Khum Prek Ambel, Saang District, Kandal Province.

Phum Tourn Thnort, Khum Koki, Kien Svay District, Kandal Province. tel: (855) 23-365 757

Phum Ampil Teuk, Khum Kampong Phnom, Leukdaek District, Kandal Province.

#93, Phum Veal Thom, Khum Peam Oknha Ong, Lvea Aem District, Kandal Province.

Phum 1, Sangkat Chrang Chamres, Russey Keo District, Phnom Penh. tel: (855) 23-219 826

Phum Malu Meun, Khum Phsa Dek, Ponhea Leu District, Kandal Province.

Phum Krapou Ha, Khum Praek Russey, Takhmao District, Kandal Province. tel: (855) 23 425 623

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

Phum PraekTaToch, Khum Boeung Khyang, Kandal Steoung District, Kandal Province.

Phum Svay Krom, Khum Praek Thmei, Koh Thom District, Kandal Province.

#395, Phum Koh Teav Kor, Khum Sampeuo Poun, Koh Thom District, Kandal Province.

## Banteay Meanchey (Sisophon)

- Preah Netr Preah
- Svay Chek
- Ou Chrov
- Mongkol Borey

#272-273, Phum 3, Khum Preah Ponlear, Serey Sophoan District, Banteay Meanchey Province.  
tel: (855) 54-958821, (855) 12-914057 fax: (855) 54-710092

#23, Group 34, Phum Chakkrei, Khum Chupvary, Preah Netr Preah District, Banteay Meanchey Province.

Phum Rolours, Khum Rolours, Svay Chek District, Banteay Meanchey Province.

#342, Phum Balelay, Khum Poypet, Ou Chrov District, Banteay Meanchey Province.

Group 11, Phum Russeykrok, Khum Russeykrok, Mongkol Borey District, Banteay Meanchey Province.

## Battambang

- Banan
- Bavel
- Thma Koul
- Moug Russey

#899, Group 5, Phum Romchek 4, Khum Rattanak, Battambang District, Battambang Province.  
tel: (855) 53-952054, (855) 12 900103 fax: (855) 53-952051

Phum Phnum Sampov, Khum Phnum Sampov, Banan District, Battambang Province.

Phum Bavel 1, Khum Bavel, Bavel District, Battambang Province.

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

Phum Moug Russey, Khum Moug Russey, Moug Russey District, Battambang Province.

## Kampong Cham

- Srey Santhor
- Prey Chhor
- Batheay
- Chamkar Loeu
- Stoeung Trang
- Tboung Khmum
- Me Mot
- O Rang Ov

#31-33, St. Khemarak Phomin, Phum 14, Khum Kampong Cham, Kampong Cham Province.  
tel: (855) 42-941703, (855) 12-900110 fax: (855) 42-941703

Phum Praek Pur Krom, Khum Prek Pur, Srey Santhor District, Kampong Cham Province.

Phum Prey Toteung, Khum Chreyvien, Prey Chhor District, Kampong Cham Province.

tel: (855) 42 344 015

Phum Pa Av, Khum Pa Av, Batheay District, Kampong Cham Province.

Phum Thnal Bek Keut, Khum Svayteap, Chamkarloeu District, Kampong Cham Province.

Phum Beung Deng, Khum Preak Kak, Stoeung Trang District, Kampong Cham Province.

Phum Cheung Lorn, Khum Sourng, Tboung Khmum District, Kampong Cham Province.

tel: (855) 42 340 236

Phum TboungVath, Khum Memot, Memot District, Kampong Cham Province.

Phum Lex 4 Keut, Khum AmpilTapok, Ou Reang Ov District, Kampong Cham Province.



## Kampong Chhnang

- Baribo
- Kampong Tralach

Group 5, Phum Kandal, Khum Kampong Chhnang, Kampong Chhnang District, Kampong Chhnang Province. tel: (855) 26-988748, (855) 12-900112 fax: (855) 26-988748

Phum Ponley, Khum Ponley, Baribo District, Kampong Chhnang Province.

Phum Ka Ort, Khum Peani, Kampong Tralach District, Kampong Chhnang Province.

## Kampong Speu

- Oudong
- Kong Pisey

#83, Gr.5, Phum Krang Pultep, Khum Rokar Thom, Chbar Mon District, Kampong Speu province. tel: (855) 25-987236, (855) 12-900105 fax: (855) 25-987236

Phum Oudong, Khum Viengchass, Oudong District, Kampong Speu Province.

Phum TramKhmar, Khum SnamKraPeu, Kong Pisey District, Kampong Speu Province.

## Kampong Thom

- Stoung
- Baray
- Soyong

#41, Gr.16, Phum Damrey Chornkhla, Khum Damrey Chornkhla, Steung Sen District, Kampong Thom Province. tel: (855) 62-961243, (855) 12-835290 fax: (855) 62-961243

#97, Road N° 6, Group 4, Phum Chheu Teal, Khum Kampong Chen Tboung, Stoung District.

Road N° 6, Phum KrasangChey, Khum Baray, Baray District, Kampong Thom Province.

Road N° 6, Phum Katay, Khum Soyong, Baray District, Kampong Thom Province.

## Kampot

- Kampong Trach
- Banteay Meas
- Chhouk
- Angkor Chey

#27, St. 724, Gr.1, Phum 1 Ousphea, Khum Kampong Kandal, Kampong Bay District, Kampot Province. tel: (855) 33-932880, (855) 12-900107 fax: (855) 33-932334

Phum Kampong Trach 1, Khum Trach Keut, Kampong Trach District, Kampot Province.

Phum Prey Krala Khang Lech, Khum Tuk Meas Khang Lech, Banteay Meas District, Kampot Province.

Phum Chrey, Khum Satpoung, Chhouk District, Kampot Province.

Phum Pou, Khum Phnum Kong, Angkor Chey District, Kampot Province.

## Prey Veng

- Peam Ro
- Kampong Trabek

#3A, Group 1, Phum 4, Khum Kampong Leav, Prey Veng Province. tel: (855) 43-944555, (855) 12-900120 fax: (855) 43-944555

#251, Group 9, Phum Lex Bourn, Khum Khsay Khor, Peam Ro District, Prey Veng Province.

#240, Road N° 1, Group 22, Phum Kampong Trabek, Khum Kampong Trabek, Kampong Trabek District, Prey Veng Province.

## Pursat

- Phnom Kravagn
- Krakor
- Bakan

#751, Phum Peal Nhek I, Khum Pteah Prey, Sampov Meas District, Pursat Province. tel: (855) 52-951434, (855) 12-900104 fax: (855) 52-951634

Phum Leach, Khum Leach, Phnum Kravagn District, Pursat Province.

Phum Phsar, Khum Anglong Thnort, Krakor District, Pursat Province.

Group 6, Phum Trapeang Choung, Khum Trapeang Choung District, Pursat Province.

## Sihanoukville

- Stoeung Hav
- Prey Nop

Street 108, Group 11, Mondul 1, Sangkat 2, Khan Mittapheap, Sihanoukville.

tel: (855) 34-320232, (855) 12-900106 fax: (855) 34-320232

Mondul 3, Sangkat Tomnob Rolouk Thmei, Stueng Hav District, Sihanoukville

Mondul Boeung Veng, Sangkat Veal Rinh, Prey Nop District, Sihanoukville.

## Siem Reap

- Soutr Nikum
- Chikreng
- Pourk
- Kralanh

#006, Group 7, Phum Sala Kanseng, Khum Svay Dangkom, Siem Reap District, Siem Reap Province. tel: (855) 63 963660, (855) 12 900101 fax: (855) 63 963280

Phum Damdek Phsa, Khum Damdek, Soutr Nikum District, Siem Reap Province.

#101, Group 7, Phum Prasat, Khum Kampong Kdei, ChiKreng District, Siem Reap Province.

#1253, Group 2, Phum Kouk Thmei, Khum Pourk, Pourk District, Siem Reap Province.

#165, Group 10, Phum Pech Chou, Khum Kralanh, Kralanh District, Siem Reap Province.

## Svay Rieng

- Svay Teab
- Romeas Haek

Rd.#113, Phum Rong Banle, Khum Svay Rieng, Svay Rieng District, Svay Rieng Province.

tel: (855) 44-945545, (855) 12-900121 fax: (855) 44-945545

Road N° 1, Phum Tourl Ampil, Khum Chrak Mates, Svay Teap District, Svay Rieng Province.

Phum Kampong Trach, Khum Kampong Trach, Romeas Haek District, Svay Rieng Province.

## Takeo

- Kiri Vong

Road 10, Group 4, Phum 2, Khum Rokar Khnong, Donkeo District, Takeo Province.

tel: (855) 32-931246, (855) 12-972256 fax: (855) 32-931144

#35, Group 24, Phum PurKhvit, Khum Preah Bath Chorn Chum, Kiri Vong District, Takeo Province.

# The Cambodian Economy in 2002<sup>(1)</sup>

In the National Poverty Reduction strategy 2003-2005 adopted by the Government on December 20, 2002, one of the priorities is the maintenance of macroeconomic stability.

## Macroeconomic stability

Since 1999, Cambodia has made significant progress in implementing a macroeconomic framework aimed at achieving equitable long-term economic growth and sustainable development. The focus of this framework has been on maintaining macroeconomic stability, strengthening the banking and financial institutions, implementing fiscal reform measures, ensuring a sound management of public property, and increasing public investment to develop the physical and social infrastructure and human resource.

## Real sector

Since 1993 average GDP growth was 5.6 percent and during the last three years it was 7 percent. Agriculture is the most important sector, accounting for 40 percent of GDP, and employing more than 70 percent of the labor force.

The industrial sector has been the main engine of growth, increasing annually by average of 16 percent. The garment industry has displayed a dramatic growth in its exports during the last four years. Tourism related activities – hotels and restaurants – grew at an average annual rate of 20 percent.

According to the estimation of the Ministry of Economy and Finance, the economic growth in 2002 was 5 percent due to the impact of the drought and flood on agriculture and the uncertain international political and economic situation, compared to 6.3 percent in 2001 and 7.7 percent in 2000.

## Inflation

The rate of inflation was slowed down from 13.29 percent in 1998 to -0.54 percent in 1999, to -0.81 percent in 2000, to -0.56 percent in 2001 and 3 percent in 2002.

## Exchange Rate

The exchange rate remained relatively stable throughout 2002, depreciating by less than 1 percent (the first semester 1 USD=3,921 and at the end of 2002 1USD=3,939) compared with a depreciation of 1.6 percent in 2001 and 1.1 percent in 2000.

## Monetary and Banking

The growth rate of currency in circulation increased by 31.7 percent at the end of 2002 compared with 16.8 percent in 2001 and 1 percent in 2000. Broad money increased by 30.1 percent compared with 20.4 percent in 2001 and 26.9 percent in 2000. The increase in broad money was led by a rise in foreign currency deposits of 29.1 percent. Net foreign assets increased 33 percent, while net domestic assets decreased 16 percent. Credit to private sector increased by 13.5 percent compared with 4.2 percent in 2001.

## Balance of Payment

Preliminary estimates give the current account (excluding official transfer) deficit at US\$ 441 million in 2002 compared with a deficit of US\$ 476 million in 2001. Overall exports reached US\$ 1,605 million. At the same time, import was increased from US\$ 1,951 million in 2001 to US\$ 2,046 million in 2002.

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## ...and Trends for 2003

Despite a weak global economic outlook Cambodia's real GDP growth is expected to pick up to about 5 percent, while inflation is projected to remain below 5 percent. Broad money (M2) is targeted at 20.5 percent. Money in circulation is estimated at 22 percent and foreign currency deposits 20 percent.

Over the short and medium term, to further strengthen the financial and banking system in order to increase public confidence and mobilize savings for investment, the Government recommended that the National Bank of Cambodia should focus on four areas:

1. strengthen the banking system to ensure a sound banking system
2. modernize the payment system to facilitate financial transaction
3. strengthen and expand the branches of National bank of Cambodia to provide payment services, opening accounts, transfers of money and cash
4. strengthening micro-finance institutions which in turn promote and support the Government's implementation of its poverty reduction strategy.

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

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

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

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

Fourth, diverse non-banking financial products and institutions that create a more balanced financial structure, increase the depth of the financial markets and promote competition. These include leasing, money market and capital markets intermediaries;

Fifth, an inter-bank market that provides banks, companies, and individuals with the means for effective liquidity management;

Sixth, an efficient and transparent capital market with a critical mass of issuers that mobilizes funds for long-term investments; and

Seventh, legal infrastructure and accounting systems that promote the rule of law in commercial and financial transactions and supports good governance by promoting transparency, accountability, and predictability.

<sup>(1)</sup> Source NBC, IMF





# Cambodia Key Economic Indicator 2002

## Forecast of Cambodia's Key Economic Indicators

	1998	1999	2000	2001	2002e	2003f
<b>1. GDP</b>						
GDP % change	1.8	6.9	7.7	6.3	5	6
Per capita GDP (in U.S. dollar)	247	264	261	259	273	284
<b>2. Inflation</b>						
Inflation (final quarter basis)	13.29	-0.54	-0.81	-0.56	3.0	4.0
<b>3. Government budget (In percent of GDP)</b>						
Revenue	8.3	10.6	11.2	11.7	12.1	12.7
Expenditure	13.8	14.7	16.4	17.7	18.9	19.0
<b>4. Money and Credit (12 month percent change)</b>						
M2	15.7	17.3	26.9	20.4	30.1	20.5
Credit Private sector	2.8	16.7	17.7	4.2	13.5	15
<b>5. Balance of Payment</b>						
Export	868	1,100	1,394	1,475	1,605	1,745
Import	-1,131	-1,392	-1,846	-1,951	-2,046	-2,210
Trade Balance	-263	-292	-452	-476	-441	-455
Current account (excl.off.transfer)	-252	-296	-412	-456	-391	-405
Current account (incl.off.transfer)	-43	-75	-144	-180	-106	-118
Exchange Rate (Riel per dollar end period)	3,780	3,775	3,905	3,895	3,930	4,095

source: IMF, NBC



# Shareholders

## ACLEDA NGO

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

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

ACLEDA NGO's main activities are:

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

## ASA, Inc

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

## 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

As per 31 December 2001 FMO had a total disbursed and contracted portfolio of EUR 1.9 billion allocated in 66 countries, making it one of the largest bilateral development banks in Europe. FMO is also executing a number of programmes on behalf of the Dutch Ministry for Development Cooperation. FMO's headquarter is in the Hague, Netherlands with a total staff of 164 people.

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 through FY 02, IFC has committed more than \$34 billion of its own funds and arranged \$21 billion in syndication for 2,825 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY02 was \$15.1 billion for its own account and \$ 6.5 billion held for participants in loan syndications.

## TRIODOS-DOEN FOUNDATION

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

Triodos-Doen is involved in over 26 microfinance institutions in Asia, Latin America, Africa and Eastern Europe and has a total portfolio of EUR 23.6 million. Other investments in microfinance banks, besides ACLEDA Bank, include K-REP Bank in Kenya, KMB Bank in Russia, Banco Solidario in Ecuador, and Akiba Commercial Bank in Tanzania.



# Board of Directors

Mr. Chea Sok, Chairman. Cambodian, joined the Board October, 2000. Born in 1943, he obtained Licence-es-Science Commercials in 1967. He joined Banque 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 of the Bank Supervision & Examination Department, Director of the 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. ▶



◀ Mr. John Brinsden, OBE, Vice-chairman. British, joined the Board October, 2000. Born in 1942, he has lived in Asia for 37 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 Bank's Audit and Asset and Liability Management Board Committees and also advises the bank on product development and international relations. He is a life Associate of the Chartered Institute of Bankers of England and a Member of the Advisory Board of the Mekong Project Development Facility, an initiative of the World Bank/IFC.

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



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





◆ Ms. Femke Bos, Director. Dutch, joined the Board July, 2002. Born in 1969, Ms. Femke Bos works as an Investment Officer for Triodos Bank N.V., in The Netherlands. She is responsible for investments in micro finance institutions and small micro finance banks in South-East Asia. After obtaining her Master's degree in Law in 1994 at the University of Amsterdam in the Netherlands, she started her career as a lawyer for a real estate development agency in The Hague and worked subsequently for a large international employment agency, Randstad Uitzendbureau in Amsterdam. She then shifted her career to banking, joining the ABN AMRO Bank's Management Trainee program in 1997. After this traineeship she worked as an Account Manager Corporate Clients and subsequently as Senior Account Manager Corporate Clients where she also managed a group of 18 Account Managers and assistants. During this period she gained a large experience in retail banking and commercial lending. She left ABN AMRO Bank in February 2002 and since then has worked for Triodos Bank.

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



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

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



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



# Report of Board of Directors and Board Committees

## Board of Directors

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

The Board met four times in the course of 2002 (once by e-mail) and one special meeting by e-mail to approve the "Overdraft policy"

## Committees of the Board of Directors

### Assets and Liabilities Committee (ALCO)

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

Members:

1. Board Member (Chair) – Mr John Brinsden
2. Board Member – Mr Chea Sok
3. General Manager (ex officio) – Mr In Channy
4. Manager, Finance Dept. (ex officio) – Mr Chhay Soeun
5. Manager, Treasury Dept. (ex officio) – Mr Cheam Teang
6. Manager, Marketing Dept. (ex officio) – Mdm So Phonnary,
7. Product Managers, (as appropriate)

Principal Activities during 2002:

ALCO met twelve times during 2002 with a 100% attendance record by all permanent members or their deputies.

Main issues were the continuing surplus liquidity (both in the bank and in the market), the impact of falling interest rates (positive), the bank's re-entry into Thai Baht lending and the completion of the funding strategy for 2003.

### Audit Committee

Scope and purpose:

- i) Ensure the integrity of the financial statements by overseeing the inter-relationships and adequacies of the internal controls, and internal and external audit functions. Where there are any concerns in this regard the Committee may under take further investigations either by itself or using internal or external resources as appropriate.
- ii) Act as liaison between the Board, the shareholders and external auditors; recommend the appointment of the external auditors and review and approve the audit scope.
- iii) Review and approve the annual internal audit plan, receive and monitor progress reports and have the final oversight over all audit processes of the bank.
- iv) Liaise with other Board and executive committees to ensure co-ordination of risk management and good governance.

Members:

1. Board Member (Chair) – Mr John Brinsden
2. Board Member – Mr Chea Sok
3. Board Member – Ms Jean Gilson (resigned 21 November 2002)
4. General Manager (ex officio) – Mr In Channy
5. Manager, Finance Dept. (ex officio) – Mr Chhay Soeun
6. Manager, Audit Dept. (ex officio) – Mdm Kim Sotheavy
7. Manager, IT Dept. (ex. officio) – Mr Terry Mach

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

Principal Activities during 2002:

The Audit Committee met five times during the year (vs. the four times required under the Terms of Reference). With the exception of Jean Gilson, whose overseas commitments sometimes prevented her presence, all members achieved 100% attendance.

Material proceedings during the period were:

- i) Reviewed the Audit Policy to clarify reporting lines and to strengthen Board oversight of the audit function;
- ii) Revised the process for selection of external auditors to reinforce 'independence' and avoid possible conflicts of interest;
- iii) Initiated external auditor review and report ('Special Management Letter') on:
  - a. the role of the internal audit function;
  - b. review management responses to the NBC inspection report;
  - c. in-depth site visits to two provincial branches;
  - d. post start-up testing and evaluation of effectiveness of process and monitoring controls over customers' deposit taking;
  - e. evaluate the impact of the new IT systems on the bank's management information environment.
- iv) Based on findings in iii), above, oversaw comprehensive revamping of internal audit processes: setting up of internal audit units at provincial level and establishment of a specialised EDP function;
- v) Introduction of new NBC chart of accounts, and;
- vi) Revised presentation of Annual Report and Accounts to be more informative and transparent.

The Audit Committee is satisfied that the internal controls and audit processes are adequate to safeguard the bank and that the external auditors have demonstrated the necessary independence and professional expertise. During the year in question the external auditors had no other relationship with the bank by way of consultancy or any other fee earning arrangement which might have given rise to any conflict of interest.

### Compliance Committee

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

Members:

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

Principal Activities during 2002:

Compliance Committee met five times (4 ordinary and one special meeting) with 100 percent attendance. The main issues were reviewing conduct to ensure compliance with current law, Prakas, relevant new regulations of National Bank of Cambodia and new Chart of Accounts standards and reporting to NBC

### 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) – Mr Peter Kooi
- 2. Board Member – Mr Chea Sok
- 3. General Manager (ex officio) – Mr In Channy
- 4. Manager, Credit Department (ex officio) – Mr In Siphann
- 5. Phnom Penh/Kandal Provincial Branch Manager – Mr. Nay Samnang
- 6. Other Branch Managers (by rotation)

Principal Activities during 2002:

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

- i) Improved credit management: tighter controls on lending procedures, implementation of sub-limits on the more risky products and better training of credit officers which has resulted in a substantial improvement in portfolio quality;
- ii) Introduction of specialised Loan Recovery Teams which has brought about a marked increase in the recoupment of problem loans;
- iii) Revised reporting system to provide better segmentation by product and more timely identification of potential problems;
- iv) Implemented NBC's mandatory provisioning methodology and revised internal General Provisioning policy to ensure that overall loan loss reserves still conform to the bank's own (more demanding) criteria, and;
- v) Approved the pilot scheme for the test marketing of Overdrafts.





# Environment, Social and Community Report

In keeping with the spirit of our origins environmental, social and communal issues play a large part in ACLEDA Bank's corporate conscience.

## Environment

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

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

## Social

ACLEDA Bank practices equal opportunity in all its dealings with the public at large, its customers in particular and its staff recruitment and development. More than 69 percent of its borrowing customers are female and, apart from those jobs which involve a higher physical risk (e.g. guards and messengers) appointment to all positions at every level are based entirely on merit regardless of gender.

ACLEDA Bank conscientiously sets an example in good employment practices. It provides medical, pension and other welfare benefits, such as personal loan schemes, for all staff who have completed probation. In 2002 alone 327 training programs – both internal and external – were delivered to 856 individuals or 99 percent of the total staff. In 2000, ACLEDA Bank Limited pioneered a formal Employee Share Ownership Program – believed to be the first in Cambodia – by which all permanent members of the staff have the right to participate in the bank's success by freely buying and selling its shares through ASA Inc (see 'Shareholders', above).

ACLEDA Bank has a 'zero tolerance' policy on corruption both internally and externally.

## Community

Whilst firmly committed to running a profitable bank and building shareholder value, ACLEDA Bank has not lost sight of the need to support the community in which it lives – the 'good health' of both is mutually interdependent. It believes that it can best achieve this by ensuring that its activities conform to the needs of the community by a) providing appropriate products and services rather than pressure sell off-the-shelf products imported from elsewhere, b) expanding outreach: opening up banking services to new communities in new locations by, e.g. opening new offices and extending on-line banking, and, c) focusing on particular activities which improve local living standards. Two examples worth quoting are: i) ACLEDA Bank is providing loans to over 100 micro-generating entrepreneurs to enable them to bring power supplies to remote districts and villages, and, ii) the continuing extension to more and more districts of the transfer services, such as Western Union, which assists families to support each other by sending funds home. This last is now available in 28 provincial and district branches.

# Executive Management

Mr. In Channy, General Manager. Born in 1960, studied Business Administration at Gwynedd Mercy College, USA in 1990. He obtained a Bachelor Degree in Education at the Faculty of Advanced Education in Thailand, in 1992. From 1993 he attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He was one the founders of ACLEDA in 1993 and has been its General Manager since its establishment. 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. Born in 1954, graduated from high school in 1973 and from the Supreme Technology Institute in 1974. He studied Accounting at the Economic School in Phnom Penh in 1980. From 1993 he attended numerous courses on management and microfinance in Cambodia and several other countries. From 1997 he completed a range of advanced courses in finance at the Regent College in Phnom Penh. In 1998 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He also obtained a diploma in accounting in 2002. He was one the founders of ACLEDA in 1993 and has been its Finance Manager since 1994.

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



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





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

Mr. Mach Terry, Manager of the Information Technology department. Born in 1965 he completed his higher school certificate in 1986 in Australia. He was awarded a degree in Bachelor of Science in 1989 by Monash University in Australia. He majored in Computer Science and Statistics. He then proceeded to do a post-graduate diploma in Business Systems and was awarded the diploma in 1990 by the same university. He worked for several different organizations including Commonwealth of Australia, Monash University in Australia, UNHCR in Cambodia, Word Vision Cambodia, International Labour Organization and, finally, ACLEDA NGO as a consultant before assuming his present full time management position. ▶



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

Mrs. Kim Sotheavy, Manager, Internal Audit Department. Born in 1965, obtained a Bachelor Degree in Economic Science at the Economic Institute in Phnom Penh in 1991. She attended numerous courses on management and accounting in Cambodia. She has worked in ACLEDA from 1994 as accountant. She was appointed to internal audit team leader in 1999 and was promoted to Manager in 2002. ▶



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



# Report of the Board of Directors

The Board of Directors of ACLEDA Bank Limited ("the Bank") presents its report and the Bank's financial statements for the year ended 31 December 2002.

## 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 Limited and its purchase of ACLEDA NGO's micro-finance business, 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 2002, after taxation, amounted to US\$ 589,268 (2001: US\$ 475,168).

On 9 May 2002, dividends amounting to US\$ 140,000 (2001: US\$ 93,675) were declared from the Bank's net income for the year ended 31 December 2001.

## 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 5% of the Bank's net worth 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);                     | • Ms. Jutta Wagenseil                     |
| • Mr. John Brinsden (Vice-Chairman);           | • Mr. Lonh Thol;                          |
| • Mr. Peter Kooi;                              | • Ms. Sok Vanny;                          |
| • Mr. Emile Hubert Joseph Groot;               | • Ms. Femke Bos (appointed 24 July 2002); |
| • Ms. Jean Gilson (resigned 21 November 2002); | • Mr. Rauf Khalaf (resigned 14 July 2002) |

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, PricewaterhouseCoopers (Cambodia) Limited, 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 2002. 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 2002, 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: 25 February 2003



# Report of the Auditors to the Bord of Directors of the Acleda Bank Limited

We have audited the financial statements of ACLEDA Bank Limited (the "Bank"), expressed in United States dollars, as at 31 December 2002 and for the year then ended. These financial statements, as set out on pages 5 to 28, have been prepared in accordance with International Accounting Standards. As discussed in note 2 to the financial statements, the translation in Khmer Riel is made for the sole purpose of complying with the NBC requirement.

## **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 judgment 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 expressed in United States dollars give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2002, 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: 25 February 2003



	Note	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
<b>ASSETS</b>					
Cash in hand		1,436,055	5,643,696	1,922,296	7,487,343
Settlement accounts with banks	3	43,534	171,089	52,634	205,009
Deposits with National Bank of Cambodia	4	353,021	1,387,373	2,996,342	11,670,752
Loans and advances to customers	5	26,965,145	105,973,020	20,114,804	78,347,161
Prepayments and accrued income	6	552,537	2,171,470	411,480	1,602,715
Property and equipment	7	790,684	3,107,388	905,996	3,528,854
Intangible assets	8	676,002	2,656,688	856,290	3,335,250
Other assets		153,117	601,750	81,287	316,613
<b>TOTAL ASSETS</b>		<b>30,970,095</b>	<b>121,712,473</b>	<b>27,341,129</b>	<b>106,493,697</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Customers' deposits	9	5,678,730	22,317,409	1,949,991	7,595,215
Accruals and other liabilities	10	926,849	3,642,517	1,290,510	5,026,536
Senior debt	11	6,210,688	24,408,004	6,268,445	24,415,593
Subordinated debt	12	12,217,758	48,015,789	12,216,767	47,584,307
Staff pension liability	13	700,824	2,754,238	356,756	1,389,565
Provision for health insurance		97,753	384,169	70,435	274,345
Short-term loan		-	-	500,000	1,947,500
<b>TOTAL LIABILITIES</b>		<b>25,832,602</b>	<b>101,522,126</b>	<b>22,652,904</b>	<b>88,233,061</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	14	4,000,000	15,720,000	4,000,000	15,580,000
Retained earnings		589,268	2,315,823	475,168	1,850,779
General reserve		548,225	2,154,524	213,057	829,857
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,137,493</b>	<b>20,190,347</b>	<b>4,688,225</b>	<b>18,260,636</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>30,970,095</b>	<b>121,712,473</b>	<b>27,341,129</b>	<b>106,493,697</b>

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



	Share capital US\$	Retained earnings US\$	General reserve US\$	Total US\$	Total Riel '000 (At year-end exchange rate)
As at 1 January 2001	4,000,000	312,250	-	4,312,250	16,839,336
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
As at 31 December 2001	4,000,000	475,168	213,057	4,688,225	18,260,636
Currency revaluation at balance sheet date					164,089
Dividends declared	-	(140,000)	-	(140,000)	(550,200)
Transfer to general reserve	-	(335,168)	335,168	-	-
Net income for the year	-	589,268	-	589,268	2,315,823
As at 31 December 2002	4,000,000	589,268	548,225	5,137,493	20,190,347





	Note	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
<b>STATEMENT OF INCOME</b>					
Interest income	16	7,676,049	30,166,873	8,542,102	33,271,487
Interest expense	17	(973,753)	(3,826,849)	(1,699,073)	(6,617,889)
Net interest income		6,702,296	26,340,024	6,843,029	26,653,598
Fees and commission income		131,357	516,233	16,883	65,759
Other operating income	18	444,437	1,746,637	463,726	1,806,213
NET OPERATING INCOME		7,278,090	28,602,894	7,323,638	28,525,570
<b>OPERATING EXPENSES</b>					
Administrative expenses	19	5,062,390	19,895,193	4,694,763	18,286,102
Depreciation and amortisation	7, 8	660,004	2,593,816	435,034	1,694,457
Other operating charges		85,831	337,315	62,222	242,355
TOTAL OPERATING EXPENSES		5,808,225	22,826,324	5,192,019	20,222,914
<b>OTHERS</b>					
Provision for losses on loans and advances	5	689,118	2,708,234	1,332,404	5,189,714
Provision for losses on loans interest		46,748	183,720	197,068	767,580
Foreign exchange loss (gain) - net		(13,916)	(54,690)	8,187	31,888
TOTAL EXPENSES		6,530,175	25,663,588	6,729,678	26,212,096
INCOME BEFORE INCOME TAX		747,915	2,939,306	593,960	2,313,474
Income tax expense	20	(158,647)	(623,481)	(118,792)	(462,695)
NET INCOME FOR THE YEAR		589,268	2,315,823	475,168	1,850,779
<b>STATEMENT OF RETAINED EARNINGS</b>					
Retained earnings at the beginning of the year		475,168	1,850,779	312,250	1,219,336
Currency revaluation at balance sheet date		-	16,331	-	(3,121)
Prior period adjustment for additional income tax		-	-	(5,518)	(21,493)
Dividends declared		(140,000)	(550,200)	(93,675)	(364,865)
Transfer to general reserve		(335,168)	(1,317,210)	(213,057)	(829,857)
Net income for the year		589,268	2,315,823	475,168	1,850,779
RETAINED EARNINGS AT THE END OF THE YEAR		589,268	2,315,823	475,168	1,850,779

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



	Note	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
<b>OPERATING ACTIVITIES</b>					
Income before income tax		747,915	2,939,306	593,960	2,313,473
Adjustments for:					
Provision for losses on loans and advances	5	689,118	2,708,234	1,332,404	5,189,714
Re-lending of interest paid	12, 13	-	-	1,450,432	5,649,433
Depreciation and amortisation	7, 8	660,004	2,593,816	435,034	1,694,457
Loss (gain) on disposal of property and equipment		(9,732)	(38,247)	2,043	7,957
Bad debts written off		(971,723)	(3,818,871)	(1,094,130)	(4,261,636)
Unrealised foreign exchange loss (gain) on restatement of long-term debts - net		(56,304)	(221,275)	15,111	58,857
Adjustment on subordinated debt	12	-	-	(5,043)	(19,642)
Net effect of currency exchange transactions on long-term debts	12	2,719	10,686	(3,369)	(13,122)
Operating income before working capital changes		1,061,997	4,173,649	2,726,442	10,619,491
Changes in operating assets and liabilities:					
Loans and advances to customers		(6,567,736)	(25,811,202)	(4,312,688)	(16,797,920)
Prepayments and accrued income		(141,057)	(554,354)	125,922	490,466
Other assets		(30,992)	(121,799)	(58,428)	(227,577)
Customers' deposits		3,728,739	14,653,944	1,949,991	7,595,215
Accruals and other liabilities		(454,347)	(1,785,584)	488,480	1,902,630
Staff pension liability		344,068	1,352,187	282,196	1,099,153
Provision for health insurance		27,318	107,360	59,382	231,293
Income taxes paid		(108,799)	(427,580)	(151,886)	(591,594)
<b>Net cash inflow (outflow) from operating activities</b>		<b>(2,140,809)</b>	<b>(8,413,379)</b>	<b>1,109,411</b>	<b>4,321,157</b>
<b>INVESTING ACTIVITIES</b>					
Payments to acquire property and equipment		(375,258)	(1,474,764)	(730,104)	(2,843,755)
Proceeds from disposal of property and equipment		20,585	80,899	-	-
Payments for intangible assets		-	-	(901,362)	(3,510,805)
<b>Net cash outflow from investing activities</b>		<b>(354,673)</b>	<b>(1,393,865)</b>	<b>(1,631,466)</b>	<b>(6,354,560)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of short-term loan		(500,000)	(1,965,000)	-	-
Payment of dividends		(140,000)	(550,200)	(93,675)	(364,865)
Repayments of senior loan		(3,180)	(12,497)	(39,164)	(152,545)
Proceeds from short-term loan		-	-	500,000	1,947,500
Proceeds from issuance of shares		-	-	-	-
<b>Net cash inflow (outflow) from financing activities</b>		<b>(643,180)</b>	<b>(2,527,697)</b>	<b>367,161</b>	<b>1,430,090</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,138,662)</b>	<b>(12,334,941)</b>	<b>(154,894)</b>	<b>(603,313)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>4,771,272</b>	<b>18,584,104</b>	<b>4,926,166</b>	<b>19,236,678</b>
Currency revaluation at balance sheet date		-	166,995	-	(49,261)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>15</b>	<b>1,632,610</b>	<b>6,416,158</b>	<b>4,771,272</b>	<b>18,584,104</b>

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

## 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 (BOD) 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 ACLEDA NGO's micro-finance business, 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.

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 5% of the Bank's net worth for self-employment and agricultural activities, as well as for other micro and small scale industries.

As at 31 December 2002, the Bank had 864 employees (2001: 662 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 are prepared under the historical cost convention, and drawn up in accordance with International Accounting Standards ("IAS"). The Company maintains its accounting records in United States dollars, the functional and widely accepted and used currency in the Kingdom of Cambodia.

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 2002, this translation was made at the rate of US\$ 1 to Riel 3,930 (2001: US\$ 1 to Riel 3,895).

### 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
Office equipment and motor vehicles	2, 3, 5 and 8
Communication equipment	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. Temporary differences giving rise to recognition of deferred income tax on the Bank's financial statements arise principally from depreciation and unrealized foreign exchange gains and/or losses.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. As at 31 December 2002, the deferred tax asset recognised amounting to US\$ 40,838 arising from temporary differences is shown under Other assets in the balance sheet.



## 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 and declining balance method, 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.

Expenses are recognised on an accruals basis.

## Pension obligations

The Bank accrues for staff pension as disclosed in note 13. The amount accrued is charged to the statement of income in the period to which they relate. The pension provision is an accounting accrual and no separate fund is maintained, i.e, there is no separate interest bearing bank account or any other asset for the fund.

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

## 3. SETTLEMENT ACCOUNTS WITH BANKS

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Current accounts				
Cambodian Public Bank	39,653	155,837	-	-
Canadia Bank	3,441	13,523	4,026	15,681
Standard Chartered Bank	-	-	47,479	184,931
Savings account				
Canadia Bank	440	1,729	1,129	4,397
	43,534	171,089	52,634	205,009

Savings account earned annual interest at 1.75% in 2002 (2001: 2%), whereas current accounts do not earn interest.



#### 4. DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Statutory deposit, interest-free	200,000	786,000	200,000	779,000
Current accounts:				
Riel	96,752	380,236	125,555	489,037
US\$	45,760	179,837	360,273	1,403,263
Fixed deposits	-	-	2,300,000	8,958,500
Reserve account	10,509	41,300	10,514	40,952
	353,021	1,387,373	2,996,342	11,670,752

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.

Current and reserve accounts do not earn interest.

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

#### 5. LOANS AND ADVANCES TO CUSTOMERS

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Loans and advances	27,547,752	108,262,666	20,980,016	81,717,162
Provision for losses on loans and advances	(582,607)	(2,289,646)	(865,212)	(3,370,001)
Net	26,965,145	105,973,020	20,114,804	78,347,161

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

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
In US\$	20,373,157	80,066,507	15,022,363	58,512,104
In Riel	6,772,654	26,616,529	5,957,653	23,205,058
In Thai Baht	401,941	1,579,630	-	-
	27,547,752	108,262,666	20,980,016	81,717,162



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

- 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 5% of the Bank's net worth 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 is up to 5% of the Bank's net worth with a maximum loan term of 24 months. The repayment methods are bi-weekly, every four weeks and monthly.
- 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 5% of the Bank's net worth with a maximum loan term of 24 months.
- In Thai Baht – The loan product line in Thai Baht currency is also 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 the maximum loan term of 12 months and the maximum loan size is 5% of the Bank's net worth. 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 is up to 5% of the Bank's net worth with the maximum loan term of 24 months. The repayment methods are bi-weekly, every four weeks and monthly.

The change from flat rate to the declining balance method of computing for interest was approved in February 2001. The details of comparative annual interest rates based on declining balance method are as follows:

	Loans in Riel	Loans in Baht	Loans in US\$
2002	24% - 60%	24% - 60%	18% - 36%
2001	36% - 60%	-	24%36%

As at 31 December 2002, staff loans included in the loans and advances account amounted to US\$ 701,049 (2000: US\$ 12,600). These loans were granted for a maximum term of 3 years with interest at 12% a year.

Total non-performing loans and advances to customers as at 31 December 2002 amounted to US\$ 576,564 (2001: US\$ 1,234,248). Loans and advances are considered as non-performing when they become overdue and are being provided for based on number of days overdue. The change in the specific provisioning rates between 2002 and 2001 was made in order to be consistent with the requirement of NBC Prakas No B-7-02-186 dated 13 September 2002 on classification of and provisioning for bad and doubtful debts.

#### 2002

From:	Loan term of one year or less	Loan term of more than one year
1 to 30 days	0%	0%
31 to 60 days	10%	10%
61 to 90 days	30%	10%
91 to 180 days	100%	10%
181 to 360 days	-	30%
Over 360 days	-	100%

#### 2001

From:	Micro loans	Small/medium loans
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%
Over:		
90 days	100%	-
180 days	-	100%



A general provision at the rate of 1% (2001: 0.5%) was provided on total loans outstanding after deducting those loans where specific provisions have been made.

The effect of the changes in the provisioning rates is to decrease the net income of the Bank in 2002 by US\$ 76,439 and the loans and advances to customers account as at 31 December 2002 by the same amount.

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

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Balance at the beginning of the year	865,212	3,400,283	626,938	2,441,923
Provision for the year	689,118	2,708,234	1,332,404	5,189,714
Bad debts written-off	(971,723)	(3,818,871)	(1,094,130)	(4,261,636)
Balance at the end of the year	582,607	2,289,646	865,212	3,370,001

## 6. PREPAYMENTS AND ACCRUED INCOME

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Accrued interest income	445,930	1,752,505	339,173	1,321,079
Prepayments and other assets	105,896	416,171	71,807	279,688
Other accrued income	711	2,794	500	1,948
	552,537	2,171,470	411,480	1,602,715

## 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 1 January 2002	1,072,980	874,536	155,600	12,558	21,595	2,137,269
Additions	167,059	167,692	40,507	-	-	375,258
Disposals	(107,778)	(89,363)	(27,934)	-	-	(225,075)
As at 31 December 2002	1,132,261	952,865	168,173	12,558	21,595	2,287,452
<b>Accumulated depreciation</b>						
As at 1 January 2002	610,682	534,891	77,341	3,209	5,149	1,231,272
Charges for the year	244,589	180,433	43,150	4,191	7,205	479,568
Disposals/adjustments	(107,862)	(85,352)	(20,850)	(3)	(5)	(214,072)
<b>Total</b>	<b>747,409</b>	<b>629,972</b>	<b>99,641</b>	<b>7,397</b>	<b>12,349</b>	<b>1,496,768</b>
<b>Net book value</b>						
As at 31 December 2002	384,852	322,893	68,532	5,161	9,246	790,684
As at 31 December 2001	462,298	339,645	78,259	9,349	16,446	905,996



## 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 are as follows:

	US\$	Riel '000 (At year-end exchange rate)
Cost		
As at 1 January 2002	901,362	3,510,805
Additions	-	-
Disposals	-	-
<b>As at 31 December 2002</b>	<b>901,362</b>	<b>3,510,805</b>
Accumulated amortisation		
As at 1 January 2002	45,072	177,133
Charges for the year	180,436	709,113
Adjustment	(148)	(582)
Total	225,360	885,664
<b>Net book value as at 31 December 2002</b>	<b>676,002</b>	<b>2,656,688</b>
<b>Net book value as at 31 December 2001</b>	<b>856,290</b>	<b>3,335,250</b>

## 9. CUSTOMERS' DEPOSITS

The details of customers' deposits are as follows:

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Current accounts	3,353,301	13,178,473	1,295,625	5,046,459
Savings	1,329,546	5,225,116	414,524	1,614,571
Fixed deposits	995,883	3,913,820	239,842	934,185
	<b>5,678,730</b>	<b>22,317,409</b>	<b>1,949,991</b>	<b>7,595,215</b>

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

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
US\$	4,538,053	17,834,548	1,882,285	7,331,500
Riel	1,069,065	4,201,426	67,706	263,715
Thai Baht	71,612	281,435	-	-
	<b>5,678,730</b>	<b>22,317,409</b>	<b>1,949,991</b>	<b>7,595,215</b>



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

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Shareholders	1,703,348	6,694,158	322,190	1,254,930
Directors	28,900	113,577	74,188	288,962
Employees	319,459	1,255,474	317,184	1,235,432
	2,051,707	8,063,209	713,562	2,779,324

Comparative annual interest rates are as follows:

	US\$		Thai Baht		Riel	
	2002	2001	2002	2001	2002	2001
Current accounts	0%	0%	0%	0%	0%	0%
Savings deposits	2%	2%	2.5%	-	2%	2.5%
Fixed deposits, based on amounts within established range, where:						
Interest is paid at maturity date	3% to 6%	3.5% to 7.25%	4% to 7%	-	3% to 6%	3.5% to 7.25%
Interest is paid at monthly	4.89% to 5.84%	6.31% to 7.02%	5.84% to 6.78%	-	4.89% to 5.84%	6.31% to 7.02%

## 10. ACCRUALS AND OTHER LIABILITIES

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Accrued expenses:				
Interest expense	436,769	1,716,502	800,599	3,118,333
Bonus	222,394	874,008	255,281	994,320
Professional fees	13,843	54,403	48,157	187,572
Utilities	8,815	34,643	6,083	23,693
Communication	5,763	22,649	5,502	21,430
Marketing expense	-	-	5,310	20,683



	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Accrued taxes:				
Income tax	127,531	501,197	36,845	143,511
Withholding taxes	3,247	12,761	13,891	54,105
Salary tax	7,907	31,075	22,322	86,944
Others	100,580	395,279	96,520	375,945
	926,849	3,642,517	1,290,510	5,026,536

## 11. SENIOR DEBT

Following the purchase of ACLEDA NGO's micro-finance business in 2000, 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:

	2002 US\$	2001 US\$
As at the beginning of the year	6,268,445	5,720,722
Transactions during the year:		
Effect of currency exchange transactions from:		
Riel to Baht	372,266	-
Riel to US\$	168,536	-
US\$ to Riel	139,949	-
Riel to Baht	(372,589)	-
Riel to US\$	(168,193)	-
US\$ to Riel	(139,759)	-
Re-lending of interest paid	-	572,600
Payments made during the period:		
Staff pension	(3,180)	(8,240)
Accruals and other liabilities	-	(30,924)
Unrealised foreign exchange loss (gain) arising from year-end restatement of GoC loan	(54,786)	14,286
As at end of the year	6,210,688	6,268,445

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.

## 12. SUBORDINATED DEBT

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

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

	2002 US\$	2002 US\$
As at the beginning of the year	12,216,767	11,346,523
Transactions during the year:		
Effect of currency exchange transactions from:		
US\$ to Riel	272,265	831,625
Riel to US\$	140,737	915,668
Riel to US\$	(139,949)	(924,262)
From US\$ to Riel	(270,544)	(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	(1,518)	1,244
In Baht	-	(420)
As at end of the year	12,217,758	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 prepay 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.



Comparative average annual interest rates that were in effect in 2002 and 2001 are as follows:

	2002	2001
US\$ (sum of 2.5% and SIBOR)	4.3% - 4.4%	8.67% - 6.4%
Thai Baht (corporate customer's rate)	2.4% - 2.1%	-
Riel refinancing rate	6%	12%

Following Prakas B-5-01-201 dated 25 December 2001 fixing the rates for loans to financial institutions, the Riel refinancing rate which was used as basis in determining the interest for senior and subordinated debts decreased significantly.

### 13. 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 are fully reimbursable to all employees who have contributed, should they decide to leave the Bank for any reason. The corresponding contribution of the Bank, which does not earn interest, is also given in full to an employee leaving the Bank even before retirement age (60 years old for male and 55 years old for female), except when the employee is dismissed by the Bank.

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

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Balance at the beginning of the period	356,756	1,402,051	74,560	290,411
Additions for the year:				
Bank's contribution	238,885	938,818	194,759	758,586
Employees' contribution	119,447	469,427	98,215	382,548
Interest	10,822	42,530	5,438	21,181
Distributions to employees	(25,086)	(98,588)	(16,216)	(63,161)
Balance at the end of the period	700,824	2,754,238	356,756	1,389,565





## 14. 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.

### 31 December 2002

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

### 31 December 2001

Shareholder	% of Ownership	Number of Shares	US\$	Riel '000 (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>

The transfers of shares between ASA Inc. and ACLEDA NGO were made based on request for transfer of shares letters between these two parties dated 15 February, 11 April and 23 May 2002.

## 15. CASH AND CASH EQUIVALENTS

	US\$	31 December 2002 Riel '000 (At year-end exchange rate)	US\$	31 December 2001 Riel '000 (At year-end exchange rate)
Cash in hand	1,436,055	5,643,696	1,922,296	7,487,343
Settlement accounts with banks	43,534	171,089	52,634	205,009
Fixed deposits and current accounts with NBC	153,021	601,373	2,796,342	10,891,752
	<b>1,632,610</b>	<b>6,416,158</b>	<b>4,771,272</b>	<b>18,584,104</b>



## 16. INTEREST INCOME

	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
Loans	7,654,888	30,083,710	8,508,040	33,138,816
Settlement accounts with banks	21,161	83,163	34,062	132,671
	7,676,049	30,166,873	8,542,102	33,271,487

## 17. INTEREST EXPENSE

	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
Subordinated debt	542,911	2,133,640	941,299	3,666,360
Senior debt	363,342	1,427,934	718,574	2,798,845
Customers' deposit	46,199	181,562	13,156	51,243
Others	21,301	83,713	26,044	101,441
	973,753	3,826,849	1,699,073	6,617,889

## 18. OTHER OPERATING INCOME

	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
Penalty income	155,979	612,997	292,211	1,138,162
Bad loans recovered	277,871	1,092,033	160,532	625,272
Others	10,587	41,607	10,983	42,779
	444,437	1,746,637	463,726	1,806,213



## 19. ADMINISTRATIVE EXPENSES

	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
Staff costs	2,984,719	11,729,946	2,604,200	10,143,359
Consultancy fees	46,273	181,853	103,639	403,674
BOD expenses	19,917	78,274	24,240	94,415
Other administrative expenses	2,011,481	7,905,120	1,962,684	7,644,654
	5,062,390	19,895,193	4,694,763	18,286,102

## 20. INCOME TAX EXPENSE

The details of income tax expense are as follows:

	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2001 Riel '000 (At year-end exchange rate)
Current	199,485	783,974	118,792	462,695
Deferred (20% of total timing differences of US\$ 204,189 in 2002)	(40,838)	(160,493)	-	-
Net	158,647	623,481	118,792	462,695
Current income tax expense is computed as follows:				
Income before income tax	747,915	2,939,306	593,960	2,313,473
Permanent differences:				
Additional income tax for 2001	18,001	70,744	-	-
Non-deductible expenses	27,318	107,360	-	-
Total permanent differences	45,319	178,104	-	-
Timing differences:				
Depreciation	188,150	739,430	-	-
Unrealised foreign exchange gain – net	16,039	63,033	-	-
Total timing differences	204,189	802,463	-	-
Taxable income (current tax)	997,423	3,919,872	593,960	2,313,473
Corporate income tax rate of	20%	20%	20%	20%
Income tax expense – current	199,485	783,974	118,792	462,695



## 21. CURRENCY ANALYSIS

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

	Thai Baht	Riel	Total	Riel '000 (At year-end exchange rate)
<b>As at 31 December 2002</b>				
<b>Assets in foreign currency</b>				
Cash in hand	67,509	466,698	534,207	2,099,434
Settlement accounts with banks	61	1,539	1,600	6,288
Deposits with NBC	-	97,261	97,261	382,236
Loans and advances to customers – net	382,329	6,640,172	7,022,501	27,598,429
Other assets	11,228	179,430	190,658	749,286
	<b>461,127</b>	<b>7,385,100</b>	<b>7,846,227</b>	<b>30,835,673</b>
<b>Liabilities in foreign currency</b>				
Customers' deposits	71,612	1,069,065	1,140,677	4,482,861
Accruals and other liabilities	3,404	329,944	333,348	1,310,058
Senior debt	372,266	5,696,114	6,068,380	23,848,733
Subordinated debt	-	301,222	301,222	1,183,802
	<b>447,282</b>	<b>7,396,345</b>	<b>7,843,627</b>	<b>30,825,454</b>
<b>Net on (off) balance sheet position</b>	<b>13,845</b>	<b>(11,245)</b>	<b>2,600</b>	<b>10,218</b>
<b>As at 31 December 2001</b>				
Total assets in foreign currency	143	6,698,692	6,698,835	26,091,962
Total liabilities in foreign currency	-	6,840,709	6,840,709	26,644,561
<b>Net on (off) balance sheet position</b>	<b>143</b>	<b>(142,017)</b>	<b>(141,874)</b>	<b>(552,599)</b>





## 22. MATURITY PROFILE

The maturity profile of assets and liabilities was as follows:

	Total US\$	Less than 1 month US\$	1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 year US\$	From Over 5 years US\$	No fixed date of maturity US\$
<b>As at 31 December 2002</b>							
<b>ASSETS</b>							
Cash in hand	1,436,055	1,436,055	-	-	-	-	-
Settlement accounts with banks	43,534	43,534	-	-	-	-	-
Deposits with NBC	353,021	142,512	-	-	-	-	210,509
Loans and advances to customers	26,965,145	656,312	1,610,405	19,565,006	5,133,422	-	-
Prepayments and accrued income	552,537	2,167	465,035	83,410	1,925	-	-
Property and equipment	790,684	-	1,643	53,067	735,451	523	-
Intangible assets	676,002	-	-	-	676,002	-	-
Other assets	153,117	72,689	38,340	-	42,088	-	-
<b>TOTAL ASSETS</b>	<b>30,970,095</b>	<b>2,353,268</b>	<b>2,115,423</b>	<b>19,701,482</b>	<b>6,588,888</b>	<b>523</b>	<b>210,509</b>
<b>LIABILITIES</b>							
Customers' deposits	5,678,730	4,782,079	266,178	293,137	337,336	-	-
Accruals and other liabilities	926,849	625,681	127,531	173,637	-	-	-
Senior debt	6,210,688	-	-	-	-	6,210,688	-
Subordinated debt	12,217,758	-	-	-	-	12,217,758	-
Staff pension fund	700,824	-	-	-	-	700,824	-
Provision for health insurance	97,753	-	-	-	-	97,753	-
<b>TOTAL LIABILITIES</b>	<b>25,832,602</b>	<b>5,407,760</b>	<b>393,709</b>	<b>466,774</b>	<b>337,336</b>	<b>19,227,023</b>	<b>-</b>
<b>Net liquidity surplus/(gap)</b>	<b>5,137,493</b>	<b>(3,054,492)</b>	<b>1,721,714</b>	<b>19,234,708</b>	<b>6,251,552</b>	<b>(19,226,500)</b>	<b>210,509</b>
<b>As at 31 December 2001</b>							
Total assets	27,341,129	5,395,138	1,825,357	16,178,865	3,731,256	-	210,513
Total liabilities	22,652,904	1,724,039	1,303,470	808,422	21,281	18,795,692	-
<b>Net liquidity surplus/(gap)</b>	<b>4,688,225</b>	<b>3,671,099</b>	<b>521,887</b>	<b>15,370,443</b>	<b>3,709,975</b>	<b>(18,795,692)</b>	<b>210,513</b>

## 23. 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.



## 24. COMMITMENTS

As at 31 December 2002, the Bank had lease commitments for the lease of its head office and provincial offices, with details as follows:

	US\$
Not later than one year	62,273
Within one year to five years	128,200
	190,473

## 25. SUBSEQUENT EVENTS

- a) On 21 January 2003, the Bank has paid NGO the interest on subordinate debt aggregating to US\$ 273,930 and Riel 17,578,300 and on senior debt amounting to US\$ 3,165 and Riel 677,407,600.
- On the same date, the amount of Baht 158,686 was re-lent to the Bank upon its request to adjust the interest paid on senior debt. 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.
- b) On 13 January 2003, the Bank's application for a revolving credit facility with a local bank has been approved for a maximum amount of US\$ 500,000. The loan bears annual interest at 8% with processing fee of 1% of the approved limit which was already paid by the Bank. The facility was drawn down on 16 January 2003 and 28 February 2003 for the amounts of US\$ 400,000 and US\$ 100,000, respectively. Each of these withdrawals covers a period of one month. The revolving credit is secured by two promissory notes issued by the Bank aggregating to US\$ 500,000.
- c) On 6 February 2003, the Bank's application for loans amounting to US\$ 750,000 and US\$ 250,000 has been approved by a foreign shareholder. These unsecured loans are to be used to finance the expansion of the Bank's loan portfolio and are convertible in case the shareholder decides to participate in the capital increase of the Bank. Interest rate at 8.75% a year is to be charged quarterly in arrear over the outstanding loans and is payable in US\$ every 3 months. The loans cover a period of eighteen months from the date each of the loan is drawn down, ending not later than 1 September 2004. The repayment period of both loans can be renewed for a period of eighteen months, ending not later than 1 March 2006.







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