



Canadia Bank Plc.

Audited financial statements in accordance with
Cambodian Accounting Standards and
Regulations and Guidelines of the National Bank of Cambodia

as at 31 December 2010 and for the year then ended

Ernst & Young

 **ERNST & YOUNG**

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* Appendices do not form part of the audited financial statements.

Canadia Bank Plc.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Canadia Bank Plc. ("the Bank") presents its report together with the consolidated financial statements of the Bank and its subsidiary ("the Group") and the separate financial statements of the Bank (collectively referred to as "the financial statements") as at 31 December 2010 and for the year then ended.

THE BANK

The Bank was incorporated in 1991 under a joint venture between the National Bank of Cambodia ("NBC") and certain overseas Cambodians. On 4 February 1998, the NBC disposed all its shares to private investors.

In 2001, the Overseas Cambodian Investment Corporation ("OCIC"), a public limited company incorporated in the Kingdom of Cambodia, acquired 100% of the shares of the Bank and consequently became the holding company of the Bank.

In 2007, OCIC conducted a corporate restructuring whereby it transferred its investment in the Bank to Canadia Investment Holding Plc. ("CIHP"), a public limited company incorporated in the Kingdom of Cambodia. The restructuring was approved by the NBC and the Ministry of Commerce. Consequently, CIHP is now the new holding company of the Bank.

PRINCIPAL ACTIVITIES

The principal activities of the Bank consist of the operation of core banking business and the provision of related financial services through the Bank's head office and various branches in Phnom Penh and in the provinces.

There were no significant changes in the nature of these principal activities during the year.

In February 2010, Cana Securities Ltd. ("the Subsidiary") has been incorporated as a wholly-owned subsidiary of the Bank. The Subsidiary received the securities underwriting license from the Securities Exchange Commission of Cambodia on 20 October 2010. The principal activity of the Subsidiary is to provide securities business which include but not limited to underwriting, dealing and brokerage.

As at 31 December 2010, the Subsidiary has not started its commercial operations.

RESULTS OF OPERATIONS AND DIVIDENDS

The financial results of the Group and Bank for the year ended 31 December 2010 follows:

	<i>Consolidated</i>	<i>Bank</i>	
	<i>2010</i>	<i>2010</i>	<i>2009</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Profit before tax	18,869,222	18,872,461	24,523,500
Income tax expense	<u>(3,736,275)</u>	<u>(3,736,275)</u>	<u>(4,172,434)</u>
Net profit for the year	<u>15,132,947</u>	<u>15,136,186</u>	<u>20,351,066</u>
<i>Equivalent in million Riel</i>	<u>61,334</u>	<u>61,347</u>	<u>84,844</u>

There were no dividends declared or paid during the year then ended.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

Canadia Bank Plc.

REPORT OF THE BOARD OF DIRECTORS (continued)

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans or the making of provisions for bad and doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions had been made for bad and doubtful loans and advances.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad loans and advances or the amount of the provision for bad and doubtful loans and advances in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the financial statements misleading in any material respect.

Canadia Bank Plc.

REPORT OF THE BOARD OF DIRECTORS (continued)

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, materially affected by any items, transaction or event of a material and unusual nature. There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for year in which this report is made.

THE BOARD OF DIRECTORS

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

<i>Name</i>	<i>Position</i>
Mrs. Lim Sophany	Chairwoman
Mr. Pung Kheav Se	President/Chief Executive Officer
Mr. Pung Way	Director
Mr. Charles Vann	Executive Vice President
Mrs. Pung Carlyne	Assistant to President
Mr. Chen Lee Yiaow Hui	Vice President
Mr. Jimmy Leow Min Fong	Independent, Non-Executive
Mr. Gerald Yeo	Independent, Non-Executive
Mr. Peter Michael Burger	Independent, Non-Executive

DIRECTORS' INTERESTS

The Bank's Directors who hold shares in CIHP, the ultimate parent company of the Bank are: Mr. Pung Kheav Se, Mr. Pung Way and Mrs. Lim Sophany.

AUDITORS

The auditors, Ernst & Young (Cambodia) Ltd., expressed their willingness to accept re-appointment as auditors.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements existed to which the Bank was a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

No Directors of the Bank have received or become entitled to receive any benefit by reason of a contract made by the Bank with the Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those disclosed in the financial statements.

Canadia Bank Plc.

REPORT OF THE BOARD OF DIRECTORS (continued)

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

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2010, and of their financial performance and cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

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

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

The Board of Directors confirms that the Group has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2010, and of their financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

Signed in accordance with a resolution of the Board of Directors

Mr. Pung Kheav Se
President and Chief Executive Officer

Mr. Charles Vann
Executive Vice President

Phnom Penh, Kingdom of Cambodia

19 March 2011

Reference: 60805609/14442083

INDEPENDENT AUDITORS' REPORT

To: **The Board of Directors of Canadia Bank Plc.**

We have audited the accompanying consolidated financial statements of Canadia Bank Plc. ("the Bank") and its subsidiary ("the Group") and the separate financial statements of the Bank, which comprise the respective balance sheets as at 31 December 2010, the respective income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as "the financial statements").

Management's responsibility for the financial statements

The Group's management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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


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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2010, and of their financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.




Maria Cristina M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

19 March 2011

Canada Bank Plc.

CONSOLIDATED BALANCE SHEET as at 31 December 2010

	Notes	2010 US\$	2010 Million Riel equivalent (Note 2.1)
ASSETS			
Cash on hand	4	61,351,180	248,656
Balances with the NBC	5	357,942,300	1,450,740
Balances with other banks	6	76,371,137	309,532
Loans and advances	7	496,475,514	2,012,215
Available-for-sale investment	8	3,500,000	14,186
Property and equipment	10	32,907,032	133,372
Computer software	11	423,492	1,716
Deferred income tax assets	26	352,309	1,428
Other assets	12	10,755,095	43,590
TOTAL ASSETS		<u>1,040,078,059</u>	<u>4,215,435</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Deposits from banks	13	116,784,640	473,328
Deposits from customers	14	754,440,405	3,057,746
Income tax payable	26	3,514,904	14,246
Borrowings	15	12,517,419	50,733
Subordinated debt	16	7,080,000	28,695
Provision for staff gratitude	17	1,413,269	5,728
Other liabilities	18	13,593,274	55,094
Total liabilities		<u>909,343,911</u>	<u>3,685,570</u>
Shareholder's equity			
Paid-up capital	19	40,545,000	164,329
Retained earnings		90,189,148	365,536
Total shareholder's equity		<u>130,734,148</u>	<u>529,865</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>1,040,078,059</u>	<u>4,215,435</u>

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2010

	<i>Notes</i>	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>
Interest income	20	53,787,530	218,001
Interest expense	20	<u>(25,323,963)</u>	<u>(102,638)</u>
Net interest income	20	<u>28,463,567</u>	<u>115,363</u>
Fee and commission income	21	9,205,711	37,311
Fee and commission expense	21	<u>(1,679,042)</u>	<u>(6,805)</u>
Net fee and commission income	21	<u>7,526,669</u>	<u>30,506</u>
Other operating income	22	<u>198,128</u>	<u>803</u>
Total operating income		<u>36,188,364</u>	<u>146,672</u>
General and administrative expenses	23	(16,164,646)	(65,516)
Provision for losses on loans and advances	25	<u>(1,154,496)</u>	<u>(4,679)</u>
Profit before income tax		<u>18,869,222</u>	<u>76,477</u>
Income tax expense	26	<u>(3,736,275)</u>	<u>(15,143)</u>
Net profit for the year		<u>15,132,947</u>	<u>61,334</u>

The attached notes 1 to 34 form part of these financial statements.

Canadia Bank Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at 31 December 2010 and for the year then ended

	<i>Paid-up capital</i> US\$	<i>Retained earnings</i> US\$	<i>Total</i> US\$
Balance as at 1 January 2010	40,545,000	75,056,201	115,601,201
Net profit for the year	-	15,132,947	15,132,947
Balance as at 31 December 2010	40,545,000	90,189,148	130,734,148
<i>Equivalent in million Riel (Note 2.1)</i>	164,329	365,536	529,865

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2010

	<i>Notes</i>	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	154,200,627	624,974
Income tax paid	26	<u>(4,197,979)</u>	<u>(17,014)</u>
Net cash provided by operating activities		<u>150,002,648</u>	<u>607,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	10	(4,760,019)	(19,292)
Computer software	11	(71,510)	(290)
Proceeds from sale of property and equipment		<u>803,899</u>	<u>3,258</u>
Net cash used in investing activities		<u>(4,027,630)</u>	<u>(16,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of borrowing	15	10,000,000	40,530
Repayment of borrowing	15	<u>(717,196)</u>	<u>(2,907)</u>
Net cash provided by financing activities		<u>9,282,804</u>	<u>37,623</u>
Net increase in cash and cash equivalents		155,257,822	629,259
Cash and cash equivalents at beginning of year		235,020,542	979,801
Foreign exchange difference		<u>-</u>	<u>(27,262)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	<u>390,278,364</u>	<u>1,581,798</u>

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

SEPARATE BALANCE SHEET
as at 31 December 2010

	Notes	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
ASSETS					
Cash on hand	4	61,351,180	248,656	35,945,109	149,855
Balances with the NBC	5	356,955,377	1,446,740	198,667,290	828,244
Balances with other banks	6	76,371,137	309,532	81,939,255	341,605
Loans and advances	7	496,475,514	2,012,215	360,587,399	1,503,289
Available-for-sale investment	8	3,500,000	14,186	3,500,000	14,592
Investment in a subsidiary	9	1,058,400	4,290	-	-
Property and equipment	10	32,907,032	133,372	32,759,299	136,573
Computer software	11	423,492	1,716	714,828	2,980
Deferred income tax assets	26	352,309	1,428	-	-
Other assets	12	10,737,001	43,518	15,303,442	63,800
TOTAL ASSETS		1,040,131,442	4,215,653	729,416,622	3,040,938
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Deposits from banks	13	116,784,640	473,328	33,307,122	138,857
Deposits from customers	14	754,490,549	3,057,950	555,042,999	2,313,974
Income tax payable	26	3,514,904	14,246	3,624,299	15,110
Borrowings	15	12,517,419	50,733	3,234,615	13,485
Subordinated debt	16	7,080,000	28,695	7,080,000	29,517
Provision for staff gratitude	17	1,413,269	5,728	1,095,550	4,567
Other liabilities	18	13,593,274	55,094	10,430,836	43,487
Total liabilities		909,394,055	3,685,774	613,815,421	2,558,997
Shareholder's equity					
Paid-up capital	19	40,545,000	164,329	40,545,000	169,032
Retained earnings		90,192,387	365,550	75,056,201	312,909
Total shareholder's equity		130,737,387	529,879	115,601,201	481,941
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,040,131,442	4,215,653	729,416,622	3,040,938

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

SEPARATE INCOME STATEMENT for the year ended 31 December 2010

	Notes	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Interest income	20	53,787,530	218,001	47,453,068	197,832
Interest expense	20	(25,324,107)	(102,639)	(19,981,707)	(83,304)
Net interest income	20	28,463,423	115,362	27,471,361	114,528
Fee and commission income	21	9,205,711	37,311	7,122,804	29,695
Fee and commission expense	21	(1,679,042)	(6,805)	(1,133,801)	(4,727)
Net fee and commission income	21	7,526,669	30,506	5,989,003	24,968
Other operating income	22	198,128	803	5,201,726	21,686
Total operating income		36,188,220	146,671	38,662,090	161,182
General and administrative expenses	23	(16,161,263)	(65,502)	(11,715,089)	(48,839)
Provision for losses on loans and advances	25	(1,154,496)	(4,679)	(2,423,501)	(10,104)
Profit before income tax		18,872,461	76,490	24,523,500	102,239
Income tax expense	26	(3,736,275)	(15,143)	(4,172,434)	(17,395)
Net profit for the year		15,136,186	61,347	20,351,066	84,844

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

SEPARATE STATEMENT OF CHANGES IN EQUITY as at 31 December 2010 and for the year then ended

	<i>Paid-up capital</i> US\$	<i>Retained earnings</i> US\$	<i>Total</i> US\$
Balance as at 1 January 2010	40,545,000	75,056,201	115,601,201
Net profit for the year	-	15,136,186	15,136,186
Balance as at 31 December 2010	40,545,000	90,192,387	130,737,387
<i>Equivalent in million Riel (Note 2.1)</i>	164,329	365,550	529,879
Balance as at 1 January 2009	40,545,000	54,705,135	95,250,135
Net profit for the year	-	20,351,066	20,351,066
Balance as at 31 December 2009	40,545,000	75,056,201	115,601,201
<i>Equivalent in million Riel (Note 2.1)</i>	169,032	312,909	481,941

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

SEPARATE STATEMENT OF CASH FLOWS for the year ended 31 December 2010

	Notes	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	27	155,259,027	629,264	158,790,602	661,999
Income tax paid	26	(4,197,979)	(17,014)	(5,382,730)	(22,441)
Net cash provided by operating activities		151,061,048	612,250	153,407,872	639,558
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of:					
Property and equipment	10	(4,760,019)	(19,292)	(17,362,129)	(72,383)
Investment in a subsidiary	9	(1,058,400)	(4,290)	-	-
Computer software	11	(71,510)	(290)	(222,300)	(927)
Proceeds from sale of:					
Property and equipment		803,899	3,258	14,388,283	59,985
Available-for-sale investment	8	-	-	11,000,000	45,859
Net cash (used in) provided by investing activities		(5,086,030)	(20,614)	7,803,854	32,534
CASH FLOWS FROM FINANCING ACTIVITIES					
Availment of borrowings	15	10,000,000	40,530	-	-
Repayment of borrowings	15	(717,196)	(2,907)	(3,822,664)	(15,937)
Net cash provided by (used in) financing activities		9,282,804	37,623	(3,822,664)	(15,937)
Net increase in cash and cash equivalents		155,257,822	629,259	157,389,062	656,155
Cash and cash equivalents at beginning of year		235,020,542	979,801	77,631,480	316,815
Foreign exchange difference		-	(27,262)	-	6,831
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	390,278,364	1,581,798	235,020,542	979,801

The attached notes 1 to 34 form part of these financial statements.

Canada Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010 and for the year then ended

1. CORPORATE INFORMATION

Establishment and operations

Canada Bank Plc. ("the Bank") and its subsidiary (collectively referred to as "the Group") were incorporated in the Kingdom of Cambodia.

The Bank was incorporated in 1991 under a joint venture between the National Bank of Cambodia ("the NBC") and certain overseas Cambodians. On 4 February 1998, the NBC disposed all its shares to private investors.

In 2001, the Overseas Cambodian Investment Corporation ("OCIC"), a public limited company incorporated in the Kingdom of Cambodia, acquired 100% of the shares of the Bank and consequently became the holding company of the Bank.

In 2007, OCIC conducted a corporate restructuring whereby it transferred its investment in the Bank to Canada Investment Holding Plc ("CIHP"), a public limited company incorporated in the Kingdom of Cambodia. The restructuring was approved by the NBC and the Ministry of Commerce. Consequently, CIHP is now the new holding company of the Bank.

The principal activities of the Bank consist of the operation of core banking business and the provision of related financial services through the Bank's head office and various branches in Phnom Penh and in the provinces. The Bank holds a commercial banking license which was renewed for an indefinite period on 18 October 2006.

There were no significant changes in the nature of these principal activities during the year.

The details of the Bank's subsidiary as at the balance sheet date follow:

<i>Name of subsidiary</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective percentage of ownership</i>
Cana Securities Ltd. ("the Subsidiary")	Securities underwriting, dealing and brokerage	Cambodia	100%

Paid-up capital

The paid-up capital of the Bank as at 31 December 2010 and 2009 amounted to US\$40.55 million.

Board of Directors

The members of the Board of Directors ("BOD") during the financial year and at the date of this report are:

<i>Name</i>	<i>Position</i>
Mrs. Lim Sophany	Chairwoman
Mr. Pung Kheav Se	President/Chief Executive Officer
Mr. Pung Way	Director
Mr. Charles Vann	Executive Vice President
Mrs. Pung Carolyne	Assistant to President
Mr. Chen Lee Yiaw Hui	Vice President
Mr. Jimmy Leow Min Fong	Independent, Non-Executive
Mr. Gerald Yeo	Independent, Non-Executive
Mr. Peter Michael Burger	Independent, Non-Executive

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

1. CORPORATE INFORMATION (continued)

Location

The registered office of the Bank is currently located at No. 315 Ang Duong Street Corner Monivong Boulevard, Phnom Penh, Kingdom of Cambodia. The Bank has total of 31 branches located in Phnom Penh and major provinces in Cambodia.

Employees

As at 31 December 2010, the Bank has a total of 1,041 employees (2009: 887 employees).

Approval of the financial statements

The consolidated and separate financial statements were authorised and approved for issue by the BOD on 19 March 2011. The BOD has the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 *Basis of preparation*

The consolidated and separate financial statements have been prepared in accordance with the guidelines issued by the NBC and Cambodian Accounting Standards (“CAS”) issued by the National Accounting Council (“NAC”). The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed only to those who are informed about Cambodia’s accounting principles, procedures and practices.

The consolidated and separate financial statements are prepared based on the historical cost convention.

Significant inter-account transactions and balances between the Bank and its branches in Cambodia have been eliminated.

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The translation of the United States dollar (“US\$”) amounts in the financial statements into Khmer Riel (“Riel”) is provided for the sole purpose of complying with Prakas No. B7-07-164 dated 13 December 2007 using the official rate of exchange regulated by the NBC as at the reporting date, which was US\$1 to Riel 4,053 as at 31 December 2010 (2009: US\$1 to Riel 4,169). Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into Riel at that or any other rate.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Fiscal year*

The Group and the Bank's financial year start on 1 January and ends on 31 December.

2.3 *Changes in accounting policies*

The accounting policies and methods of computation applied by the Group are consistent with those adopted in prior periods except that the Group has adopted CAS 27, *Consolidated and Separate Financial Statements*, following the establishment of a subsidiary in 2010.

The Bank will adopt Cambodian International Financial Reporting Standards ("CIFRS") period beginning 1 January 2012 as mandated by the NAC.

The accounting policies set out below have been consistently applied by the Company during the year.

The adoption of CIFRS is expected to have a significant impact on the financial statements of the Bank.

2.4 *Subsidiary*

Subsidiary is an entity over which the Bank has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has such power over another entity.

In the Bank's financial statements, investment in a subsidiary is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in the income statement.

2.5 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at the balance sheet date. The financial statements of the subsidiary are prepared for the same reporting date as the Bank.

The subsidiary are consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealized gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of a subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Canada Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency transactions

2.6.1 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (“the functional currency”). The financial statements are presented in US\$ which is the Group’s functional and presentation currency.

2.6.2 Transactions and balances

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

See Note 34 for prevailing exchange rates of US\$ and applicable foreign currencies against Riel as at 31 December.

2.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, unrestricted balances with the NBC and other banks and short term highly liquid investments with original maturities of three months or less from the dates of placements, that are readily convertible to known amounts of cash and subject to insignificant change in value.

2.8 Loans and advances

All loans and advances are stated in the balance sheet at principal amount, net of unamortised loan commitment fees and less any amounts written off and allowance for losses on loans and advances. Short term loans are those with repayment date within one year from the date the loan was advanced. Long term loans are those with a final repayment date of more than one year from the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans and advances previously written off, or provided for, decrease the amount of the provision for loan losses in the income statement.

Loan and advances to customers classified as substandard, doubtful or loss are considered as non-performing loans.

2.9 Allowance for losses on loans and advances

Allowance for losses on loans and advances is made with regard to specific risks and relate to those loans and advances that have been individually reviewed and specifically identified as special mention, substandard, doubtful or loss. In addition, a general allowance is also maintained for loans classified as normal.

The allowance is based on a percentage of total outstanding loans and advances, net of interest-in-suspense.

The Bank follows the mandatory credit classification and provisioning required by Prakas No. B7-09-074 dated 25 February 2009. The Prakas requires commercial banks to classify their loan portfolio into five classes. The mandatory level of general and specific allowances is provided depending on the loan classification as follows:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Allowance for losses on loans advances (continued)

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
<i>General provision</i>		
Normal	Nil to less than 30 days	1%
<i>Specific provision</i>		
Special mention	30 days or more but less than 90 days	3%
Substandard	90 days or more but less than 180 days	20%
Doubtful	180 days or more but less than 360 days	50%
Loss	360 days or more	100%

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgment of the management, there is no prospect of recovery.

2.10 Other credit-related commitments

In the normal course of business, the Group enters into other credit-related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to those for originated loans as noted above. Specific provisions are raised against other credit-related commitments when losses are considered probable.

2.11 Available-for-sale ("AFS") investment

AFS investment is a non-derivative financial asset which is designated as such and is purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS investment pertains to unquoted equity investment to a local bank. Fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. This investment is carried at original cost.

2.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation, except freehold land which is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the asset items.

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

Land and assets under construction are not depreciated. Depreciation on other assets is calculated using the following methods and rates:

Buildings - straight-line	5%
Vehicles - declining	25%
Office equipment - declining	25%
Furniture and fixtures - declining	25%
Computers and IT equipment - declining	50%

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 *Property and equipment* (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals recognised in the income statement are determined by comparing the proceeds and the carrying amount of the disposed property and equipment.

2.13 *Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software and bring it to use. These costs are amortised using the declining balance method.

Costs associated with developing or maintaining computer software programs are recognised as expense when incurred.

2.14 *Impairment of non-financial assets*

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 *Statutory deposits*

Statutory deposits for banking-related activities are maintained with the NBC in compliance with the Law on Banking and Financial Institutions and are determined by defined percentages of minimum paid-up capital and customers' deposits as required by the NBC.

2.16 *Subordinated debt*

Subordinated debt with no fixed repayment term and which is interest-free is recognised initially at cost and subsequently stated at the outstanding principal.

2.17 *Provisions for liabilities*

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Canada Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 *Provision for liabilities* (continued)

Provisions for liabilities are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 *Provision for staff gratitude*

The Bank provides its employees with retirement and resignation benefits. At the age of retirement, the retired employee will be given a compensation based on the number of full-year service rendered multiplied by the final month salary. An employee who has worked for the Bank for two years or more is entitled upon resignation for a lump sum payment representing an employee's final month salary multiplied by the number of full-year service rendered. The payment of employment benefit is subject to the discretion of the Bank's management.

The Group recognises the provision for the employment benefits in the financial statements which is calculated for employees who are entitled to receive this benefit.

2.19 *Current and deferred income tax*

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 *Interest income and expense*

Interest earned on loans and advances, balances with the NBC and other banks are recognised on an accrual basis, except where serious doubt exists as to the collectability of loans and advances, in which case no interest income is recognised. The policy on the suspension of interest is in conformity with the NBC's guidelines on the suspension of interest on non-performing loans and provision for bad and doubtful debts.

Interest expense on deposits of customer, settlement accounts of other banks and borrowings are recognised on accrual basis.

2.21 *Fee and commission income*

Fee and commission income is recognised on an accrual basis when the service has been provided. Fee and commission income comprises income received from inward and outward bank transfers, loan processing, bank guarantees, letters of credit, ATM/Visa and Mastercard charges. Loan commitment fees are deferred and recognised as other income in the income statement over the term of the loan. Unamortised loan commitment fees are presented as a deduction from loans.

2.22 *Operating leases*

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

2.23 *Related party transactions*

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Group and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (i) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (ii) any company of which the Group directly or indirectly holds at least 10% of the capital or voting rights;
- (iii) any individual who participates in the administration, direction, management or internal control; and
- (iv) the external auditors.

Transactions with related parties and related account balances are disclosed in Note 30.

2.24 *Fiduciary assets*

Assets held in trust or in a fiduciary capacity are not reported in the financial statements since they are not the assets of the Group.

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 *Rounding of amounts*

Amounts in the consolidated and separate financial statements have been rounded off to the nearest dollar and nearest million Riel for US\$ and Riel amounts, respectively.

2.26 *Corresponding figures*

Certain corresponding figures have been reclassified to conform with current year's presentation.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Group and the Bank make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) *Impairment losses on loans and advances*

The Bank follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 of the NBC. The NBC requires commercial banks to classify their loan portfolio into five classes and the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral. For purposes of loan classification, the Bank takes into account historical payment experience and the borrower's financial condition.

b) *AFS investment at cost*

The Group owns 15.22% of the paid-up capital of Foreign Trade Bank ("FTB"), a local bank, after divesting its 30.78% ownership of this bank in 2009. This remaining investment is carried at cost. The Group believes it is appropriate to carry this investment at cost since fair value cannot be reliably estimated.

c) *Income tax*

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the Tax Department.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the year in which such determination is made.

d) *Recognition of deferred income tax assets*

Deferred tax assets are recognized for all future deductible differences to the extent that it is probable that taxable profit will be available against which they can be utilized. Management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

4. CASH ON HAND

The Group and the Bank's cash on hand comprises:

	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
US\$	46,307,869	187,686	32,100,778	133,828
Riel	11,290,385	45,760	2,398,890	10,001
Other foreign currencies	3,752,926	15,210	1,445,441	6,026
	<u>61,351,180</u>	<u>248,656</u>	<u>35,945,109</u>	<u>149,855</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
Cash on hand	61,351,180	248,656	35,945,109	149,855
Balances with the NBC:				
Current accounts	129,556,047	525,091	86,032,807	358,671
Term deposits (maturity less than 3 months)	134,000,000	543,102	44,000,000	183,436
Balances with other banks:				
Current accounts	58,371,137	236,578	67,939,255	283,239
Term deposits (maturity less than 3 months)	7,000,000	28,371	1,103,371	4,600
	<u>390,278,364</u>	<u>1,581,798</u>	<u>235,020,542</u>	<u>979,801</u>

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

5. BALANCES WITH THE NBC

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
Current accounts	129,556,047	525,090	129,556,047	525,091	86,032,807	358,671
Term deposits	134,000,000	543,102	134,000,000	543,102	44,000,000	183,436
Statutory deposits	5,041,423	20,433	4,054,500	16,433	4,054,500	16,903
Reserve deposits	89,344,830	362,115	89,344,830	362,114	64,579,983	269,234
	357,942,300	1,450,740	356,955,377	1,446,740	198,667,290	828,244

Under Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a statutory deposit of 10% of paid-up capital. This deposit is refundable should the Bank voluntarily cease its operations in Cambodia and it is not available for use in the Bank's day-to-day operations.

Under Prakas on the registration of securities registrar, securities transfer agent, and paying agent dated 30 June 2010, security companies are required to deposit 10% of the registered capital at the NBC.

Reserve deposit represents the minimum reserve requirement which is calculated at 8% for Riel and 12% for other currencies of the total amount deposits from customers and other banks and borrowings.

Current accounts and reserve deposits do not earn interest. Annual interest rates on other balances with the NBC follow:

	<i>2010</i>	<i>2009</i>
Term deposits	0.11% - 0.17%	1.44% - 3.72%
Statutory deposits	0.11% - 0.18%	0.68% - 0.28%

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

6. BALANCES WITH OTHER BANKS

The Group and the Bank's balances with other banks follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Local banks:				
Current accounts	1,904,244	7,718	2,437,080	10,160
Fixed deposits	8,000,000	32,424	14,000,000	58,366
Overseas banks:				
Current accounts	66,466,893	269,390	65,502,175	273,079
Fixed deposits	-	-	-	-
	76,371,137	309,532	81,939,255	341,605

Included in the balances with other banks are trust deposits from Visa Card and Master Card operations amounting to US\$431,341 (2009: US\$431,308) and US\$480,000 (2009: US\$534,481), respectively.

Current accounts with other local banks do not earn interest. Current accounts with overseas banks earn annual interest at rates ranging from 0.01% to 1.15% (2009: 0.10% to 5.10%). Fixed deposits with other local banks earn annual interest at rates ranging from 2.00% to 6.50% (2009: 2.00% to 6.50%).

7. LOANS AND ADVANCES

The Group and the Bank's loans and advances follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Commercial loans:				
Short-term loans	267,712,030	1,085,037	172,399,141	718,732
Overdrafts	129,323,582	524,148	84,358,566	351,691
Long-term loans	43,469,251	176,181	37,412,480	155,972
Micro-finance loans	124,570	505	141,493	590
	440,629,433	1,785,871	294,311,680	1,226,985
Consumer loans:				
Mortgage loans	78,859,197	319,616	87,506,796	364,816
Credit cards	1,029,574	4,173	1,062,496	4,430
Leasing	1,958,280	7,937	2,224,256	9,273
	81,847,051	331,726	90,793,548	378,519
Total gross loans	522,476,484	2,117,597	385,105,228	1,605,504
Allowance for losses on loans and advances	(24,237,528)	(98,235)	(23,101,677)	(96,311)
Unamortised loan commitment fees	(1,763,442)	(7,147)	(1,416,152)	(5,904)
	496,475,514	2,012,215	360,587,399	1,503,289

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

7. LOANS AND ADVANCES (continued)

(a) Allowance for losses on loans advances

Movements in the allowance for losses on loans and advances follow:

	<i>Specific provision US\$</i>	<i>General provision US\$</i>	<i>Total US\$</i>
Balance at 1 January 2010	19,918,451	3,183,226	23,101,677
Charges for the year	2,091,960	1,433,301	3,525,261
Recovery during the year	(2,363,976)	(6,789)	(2,370,765)
Amount written off	(21,082)	-	(21,082)
Exchange difference	2,437	-	2,437
Balance at 31 December 2010	19,627,790	4,609,738	24,237,528
<i>Equivalent in million Riel (Note 2.1)</i>	79,551	18,684	98,235
Balance at 1 January 2009	20,708,846	-	20,708,846
Charges for the year	5,194,114	3,259,167	8,453,281
Recovery during the year	(5,953,839)	(75,941)	(6,029,780)
Amount written off	(27,619)	-	(27,619)
Exchange differences	(3,051)	-	(3,051)
Balance at 31 December 2009	19,918,451	3,183,226	23,101,677
<i>Equivalent in million Riel (Note 2.1)</i>	83,040	13,271	96,311

The Bank wrote off loans and advances of US\$21,082 in 2010 (2009: US\$27,619) which had been previously fully provisioned and therefore had no effect on income statement.

A reconciliation of the allowance for losses on loans and advances by class follows:

	<i>2010</i>			
	<i>Real estate</i>	<i>Commercial</i>	<i>Consumption</i>	<i>Total</i>
At 1 January 2010	804,420	22,250,322	46,935	23,101,677
Provisions during the year	265,521	3,183,726	76,014	3,525,261
Exchange differences	-	2,437	-	2,437
Accounts written off	-	-	(21,082)	(21,082)
Recovery	(34,278)	(2,316,077)	(20,410)	(2,370,765)
At 31 December 2010	1,035,663	23,120,408	81,457	24,237,528
Individual impairment	97,036	19,484,623	46,131	19,627,790
Collective impairment	938,627	3,635,785	35,326	4,609,738
	1,035,663	23,120,408	81,457	24,237,528
Gross amounts of loans individually determined to be impaired, before deducting any individually assessed impairment losses	328,198	58,093,103	3,081,300	61,502,601

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

7. LOANS AND ADVANCES (continued)

(a) Allowance for losses on loans and advances (continued)

	2009			Total
	Real estate	Commercial	Consumption	
At 1 January 2009	15,698	20,693,148	-	20,708,846
Provisions during the year	833,450	7,529,766	90,065	8,453,281
Exchange differences	-	(3,051)	-	(3,051)
Accounts written off	-	-	(27,619)	(27,619)
Recovery	(44,728)	(5,969,541)	(15,511)	(6,029,780)
At 31 December 2009	804,420	22,250,322	46,935	23,101,677
Individual impairment	81,101	19,817,583	19,767	19,918,451
Collective impairment	723,319	2,432,739	27,168	3,183,226
	804,420	22,250,322	46,935	23,101,677
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment losses	104,656	66,508,241	2,011,703	68,624,600

(b) Loan classification

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Normal:				
Secured	460,394,954	1,865,981	316,111,714	1,317,870
Unsecured	578,929	2,346	368,914	1,538
Special mention:				
Secured	30,558,438	123,853	36,984,364	154,188
Substandard:				
Secured	12,501,340	50,668	15,585,687	64,977
Unsecured	803	3	80,000	333
Doubtful:				
Secured	4,449,526	18,034	558,000	2,326
Unsecured	13,302	54	39,535	165
Loss:				
Secured	13,726,416	55,633	15,167,335	63,233
Unsecured	252,776	1,025	209,679	874
Total gross loans	522,476,484	2,117,597	385,105,228	1,605,504

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

7. LOANS AND ADVANCES (continued)

(c) Analysis by industry

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Wholesale and retail	168,942,420	684,724	61,587,464	256,758
Service	120,407,216	488,010	116,211,280	484,485
Mortgage	78,859,197	319,616	87,506,797	364,816
Building and construction	53,519,377	216,914	42,461,916	177,024
Import and export	35,921,971	145,592	17,702,533	73,802
Agriculture	26,521,695	107,492	19,369,538	80,752
Manufacturing	22,883,624	92,747	17,461,695	72,798
Transportation, storage and communication	1,998,181	8,099	2,493,636	10,396
Individual	1,029,574	4,173	1,062,496	4,429
Others	12,393,229	50,230	19,247,873	80,244
Total gross loans	522,476,484	2,117,597	385,105,228	1,605,504

(d) Maturity analysis

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Not later than 1 year	399,263,159	1,618,214	255,004,476	1,063,114
Later than 1 year and no later than 3 years	36,929,898	149,677	36,480,228	152,086
Later than 3 year and no later than 5 years	13,672,151	55,413	8,913,122	37,159
Later than 5 years	72,611,276	294,293	84,707,402	353,145
Total gross loans	522,476,484	2,117,597	385,105,228	1,605,504

(e) Interest rates

The annual interest rates during the year follow:

	2010	2009
Credit cards	18.00% - 21.96%	18.00% - 21.00%
Micro-finance loans	12.00% - 21.60%	12.00% - 21.60%
Long-term loans	5.00% - 19.20%	8.00% - 19.20%
Leasing	8.04% - 14.40%	8.00% - 14.40%
Short-term loans	6.00% - 21.60%	6.00% - 21.60%
Overdrafts	6.00% - 18.00%	6.00% - 18.00%
Mortgage loans	6.50% - 12.00%	4.80% - 15.60%

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as at 31 December 2010 and for the year then ended

8. AFS INVESTMENT

On 28 October 2005, the Bank entered into a sale and purchase agreement with the Privatisation Committee (acting on behalf of the Royal Government of Cambodia) to acquire 46% of the paid-up capital of FTB for a consideration of US\$10,580,000. The investment is carried at cost. The Bank was previously required by the NBC to reduce its shareholding to less than 20% by 31 December 2008. The NBC, on 6 February 2009, extended the deadline to 31 March 2009.

On 26 March and 3 July 2009, the Bank entered into agreements to sell its 30.78% share ownership in FTB costing US\$7.08 million to two individual buyers for a total consideration of US\$11.00 million. The gain on sale of shares in FTB recognised under "Other operating income" in the income statement amounted to US\$3.92 million (see Note 22).

After the sale, the Bank's ownership interest with FTB becomes 15.22% with carrying amount of US\$3.50 million.

9. INVESTMENT IN A SUBSIDIARY

In February 2010, Cana Securities Ltd. has been incorporated as a wholly-owned subsidiary of the Bank. The Subsidiary received the securities underwriting license from the Securities Exchange Commission of Cambodia on 20 October 2010. The principal activity of the Subsidiary is to provide securities business which include but not limited to underwriting, dealing and brokerage.

As at 31 December 2010, the Subsidiary has not started its commercial operations.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

10. PROPERTY AND EQUIPMENT

Property and equipment of the Group and of the Bank follow:

	2010							
	<i>Freehold land US\$</i>	<i>Buildings US\$</i>	<i>Assets under construction US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Office equipment US\$</i>	<i>Computer and IT equipment US\$</i>	<i>Vehicles US\$</i>	<i>Total US\$</i>
Cost								
Balance at beginning of year	4,508,490	20,888,431	-	596,302	8,204,831	2,829,460	1,981,886	39,009,400
Additions	-	489,212	2,007,923	811,730	362,232	457,739	631,183	4,760,019
Disposals/transfers	-	-	(794,861)	(10,582)	(640)	(4,751)	(30,425)	(841,259)
Balance at end of year	<u>4,508,490</u>	<u>21,377,643</u>	<u>1,213,062</u>	<u>1,397,450</u>	<u>8,566,423</u>	<u>3,282,448</u>	<u>2,582,644</u>	<u>42,928,160</u>
Accumulated depreciation								
Balance at beginning of year	-	1,878,047	-	261,019	1,047,769	1,943,335	1,119,931	6,250,101
Depreciation	-	1,056,965	-	899,386	1,016,168	550,038	289,814	3,812,371
Disposals	-	-	-	(9,984)	(175)	(4,487)	(26,698)	(41,344)
Balance at end of year	-	<u>2,935,012</u>	-	<u>1,150,421</u>	<u>2,063,762</u>	<u>2,488,886</u>	<u>1,383,047</u>	<u>10,021,128</u>
Net book value	<u>4,508,490</u>	<u>18,442,631</u>	<u>1,213,062</u>	<u>247,029</u>	<u>6,502,661</u>	<u>793,562</u>	<u>1,199,597</u>	<u>32,907,032</u>
<i>Equivalent in million Riel (Note 2.1)</i>	<u>18,273</u>	<u>74,748</u>	<u>4,917</u>	<u>1,001</u>	<u>26,355</u>	<u>3,216</u>	<u>4,862</u>	<u>133,372</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

10. PROPERTY AND EQUIPMENT (continued)

	2009							
	<i>Freehold land US\$</i>	<i>Buildings US\$</i>	<i>Assets under construction US\$</i>	<i>Furniture and fixtures US\$</i>	<i>Office equipment US\$</i>	<i>Computer and IT equipment US\$</i>	<i>Vehicles US\$</i>	<i>Total US\$</i>
Cost								
Balance at beginning of year	4,508,490	5,303,984	19,880,056	445,842	1,242,913	2,572,852	1,867,981	35,822,118
Additions	-	68,523	16,621,382	64,242	94,359	387,718	125,905	17,362,129
Disposals	-	-	(13,847,563)	(1,415)	(380)	(313,489)	(12,000)	(14,174,847)
Transfers	-	15,515,924	(22,653,875)	87,633	6,867,939	182,379	-	-
Balance at end of year	4,508,490	20,888,431	-	596,302	8,204,831	2,829,460	1,981,886	39,009,400
Accumulated depreciation								
Balance at beginning of year	-	1,484,698	-	192,523	594,381	1,454,717	874,535	4,600,854
Depreciation	-	393,349	-	69,212	453,468	490,599	257,395	1,664,023
Disposals	-	-	-	(716)	(80)	(1,981)	(11,999)	(14,776)
Balance at end of year	-	1,878,047	-	261,019	1,047,769	1,943,335	1,119,931	6,250,101
Net book value	4,508,490	19,010,384	-	335,283	7,157,062	886,125	861,955	32,759,299
<i>Equivalent in million Riel (Note 2.1)</i>	18,795	79,254	-	1,398	29,838	3,694	3,594	136,573

In September 2009, the Bank sold several building floors, booked under assets under construction and other property and equipment accounts, to third parties with an aggregate cost of US\$13.96 million for US\$14.02 million. Of the total sales price, US\$5.51 million was received by the Bank as deposit payment. The portion to be collected in installments was recorded as sales contract receivable under Other assets in the balance sheet. The gain on sale amounting to US\$0.06 million was recognised as other income under other operating income in the income statement (see Note 22).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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11. COMPUTER SOFTWARE

The movements of Group and the Bank's computer software follow:

	2010	2009
Cost		
Balance at beginning of year	1,944,496	1,722,196
Additions	71,510	222,300
Balance at end of year	2,016,006	1,944,496
Accumulated amortization		
Balance at beginning of year	1,229,668	591,845
Amortisation	362,846	637,823
Balance at end of year	1,592,514	1,229,668
Net book value	423,492	714,828
<i>Equivalent in million Riel (Note 2.1)</i>	1,716	2,980

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

12. OTHER ASSETS

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
Accrued interest receivable	3,648,392	14,787	3,648,392	14,787	2,448,914	10,209
Sales contract receivable (Note 10)	2,427,437	9,838	2,427,437	9,838	10,081,740	42,031
Other advances	1,429,383	5,793	1,429,383	5,793	749,062	3,123
Prepaid expenses	1,014,910	4,113	1,014,910	4,113	709,682	2,959
Deposits with companies outside Cambodia	497,162	2,015	497,162	2,015	215,833	900
Supplies	416,341	1,687	416,341	1,687	491,172	2,048
Travelers cheques purchased	28,757	117	28,757	117	20,006	83
Others	1,292,713	5,240	1,274,619	5,168	587,033	2,447
	10,755,095	43,590	10,737,001	43,518	15,303,442	63,800

Others include sundry assets amounting to US\$1.27 million as at 31 December 2010 (2009: US\$0.57 million).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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13. DEPOSITS FROM BANKS

Deposits from banks of the Group and the Bank follow:

	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
Current accounts	13,321,462	53,992	122,338	510
Saving accounts	37,824,869	153,304	2,345,390	9,778
Fixed deposits	65,620,309	265,959	30,821,394	128,494
Marginal deposits	18,000	73	18,000	75
	<u>116,784,640</u>	<u>473,328</u>	<u>33,307,122</u>	<u>138,857</u>

Marginal deposits are non-interest bearing.

Current, savings and fixed deposits annual interest rates follow:

	<i>2010</i>	<i>2009</i>
Current accounts	nil - 1.00%	0.50% - 1.00%
Saving accounts	0.75%	0.75%
Fixed deposits	2.00% - 6.50%	2.00% - 7.00%

Marginal deposits represent the aggregate balance of required non-interest bearing cash deposits from banks for letters of credit and guarantees outstanding at year end (see Note 28).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

14. DEPOSITS FROM CUSTOMERS

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
Current accounts	47,880,462	194,059	47,930,606	194,263	27,743,840	115,664
Saving accounts	249,113,644	1,009,658	249,113,644	1,009,658	198,279,043	826,625
Fixed deposits	456,555,086	1,850,418	456,555,086	1,850,41	328,358,352	1,368,926
Marginal deposits	891,213	3,611	891,213	3,611	661,764	2,759
	754,440,405	3,057,746	754,490,549	3,057,950	555,042,999	2,313,974

Current, savings and fixed deposits annual interest rates follow:

	<i>2010</i>	<i>2009</i>
Current accounts	nil - 1.00%	0.50% - 1.00%
Saving accounts	0.75%	0.75%
Fixed deposits	3.00% - 6.50%	3.00% - 7.50%

Marginal deposits represent the aggregate balance of required non-interest bearing cash deposits from customers for letters of credit and guarantees outstanding at year end (see Note 28).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

15. BORROWINGS

The Group and the Bank's borrowings follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Borrowed funds from China Development Bank Corporation (i)	10,000,000	40,530	-	-
Borrowed funds from KfW through MoEF (ii)	2,517,419	10,203	3,234,615	13,485
	12,517,419	50,733	3,234,615	13,485

- (i) Represents two facility agreements with China Development Bank Corporation dated 13 December 2010. The first facility agreement amounted to US\$20.00 million and the second facility agreement amounted to 66.00 million Renminbi (RMB), (approximately US\$10 million) for a term of eight years. These borrowings bear annual interest rate at six-month LIBOR plus credit spread of 4.0%.

As at 31 December 2010, the Bank has drawn down US\$10.00 million out of the first facility.

- (ii) Represents loans from Kreditanstalt fur Wiederaufbau ("KfW") through the Ministry of Economy and Finance ("MoEF") that resulted from loan and finance agreements between the Bank, KfW and MoEF dated 23 April 2003 for Small and Medium Enterprise ("SME") term-lending I and dated 18 October 2005 for SME term-lending II. The agreements stipulate that the funds borrowed from KfW through MoEF shall be sub-lent to Small and Medium Enterprises to build SME capacity in Cambodia. The sub-loans are classified as an asset of the Bank under loans and advances. KfW borrowing is unsecured and bears annual interest at an average rate of 6.32% (2009: 6.98%).

16. SUBORDINATED DEBT

On 28 October 2005, the Bank entered into an agreement with Mr Pung Kheav Se, a main shareholder of the Bank through CIHP, to provide the Bank with a subordinated loan of US\$7.08 million for the purpose of acquiring shares in FTB. This subordinated debt is unsecured, non-interest bearing and has no fixed terms of repayment. This subordinated debt was approved by the NBC on 28 December 2005.

The subordinated debt is treated as a liability for financial reporting purposes and included as capital Tier II in the Bank's net worth calculation in accordance with the guidelines of the NBC (see Note 32).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

17. PROVISION FOR STAFF GRATITUDE

The Bank has provided its employees with retirement and resignation benefit plan since August 2006. Movements in the provision for staff benefits are as follows:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
At beginning of year	1,095,550	4,440	810,350	3,378
Provision	403,734	1,636	356,938	1,488
Payments	(86,015)	(348)	(71,738)	(299)
At end of year	<u>1,413,269</u>	<u>5,728</u>	<u>1,095,550</u>	<u>4,567</u>

18. OTHER LIABILITIES

The Group and the Bank's other liabilities follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Accrued interest payable	11,552,379	46,822	7,460,874	31,104
Accounts payable	707,065	2,866	242,598	1,012
Staff bonus payable	432,510	1,753	361,075	1,505
Other taxes payable	198,944	806	186,991	780
Accrued expenses	190,122	771	148,543	619
Others	512,254	2,076	2,030,755	8,467
	<u>13,593,274</u>	<u>55,094</u>	<u>10,430,836</u>	<u>43,487</u>

19. PAID-UP CAPITAL

The Bank's total authorised paid-up capital is 40,545,000 shares with a par value of US\$1 per share. All shares are issued to and fully paid by CIHP. There was no movement in paid-up capital during the year.

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20. NET INTEREST INCOME

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2009 US\$</i>	<i>2009 Million Riel equivalent (Note 2.1)</i>
Interest income:						
Loans and advances	53,061,717	215,059	53,061,717	215,059	47,069,716	196,234
Balances with other banks	528,356	2,141	528,356	2,141	274,633	1,145
Balances with the NBC	197,457	801	197,457	801	108,719	453
Total interest income	53,787,530	218,001	53,787,530	218,001	47,453,068	197,832
Interest expense:						
Deposits from customers	23,431,110	94,966	23,431,254	94,967	18,434,025	76,851
Deposits from banks	1,698,842	6,885	1,698,842	6,885	1,256,323	5,238
Borrowings	194,011	787	194,011	787	291,359	1,215
Total interest expense	25,323,963	102,638	25,324,107	102,639	19,981,707	83,304
Net interest income	28,463,567	115,363	28,463,423	115,362	27,471,361	114,528

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

21. NET FEE AND COMMISSION INCOME

The Group and the Bank's net fee and commission income follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Loan commitment fees	3,019,796	12,239	2,097,084	8,743
Commission from remittances	2,180,661	8,838	1,680,612	7,006
Miscellaneous loan fees and charges	1,029,398	4,172	920,709	3,838
Income from letters of credit	317,952	1,508	346,062	1,443
Fees for telex, fax and phone	228,610	927	217,238	906
ATM and credit card fees	149,507	606	126,362	527
Fees for credit card advances and late payments	119,710	485	151,582	632
Other fees and commission	2,106,077	8,536	1,583,155	6,600
Total fee and commission income	9,205,711	37,311	7,122,804	29,695
Fee and commission expense	(1,679,042)	(6,805)	(1,133,801)	(4,727)
Net fee and commission income	7,526,669	30,506	5,989,003	24,968

22. OTHER OPERATING INCOME

The Group and the Bank's other operating income follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Rental income	149,837	607	142,176	593
Gain on foreign exchange currency	1,896	8	865,464	3,608
Gain on sale of shares in FTB (Note 8)	-	-	3,920,000	16,342
Other income	46,395	188	274,086	1,143
	198,128	803	5,201,726	21,686

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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23. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>US\$</i>	<i>Million Riel equivalent (Note 2.1)</i>	<i>US\$</i>	<i>Million Riel equivalent (Note 2.1)</i>	<i>US\$</i>	<i>Million Riel equivalent (Note 2.1)</i>
Staff and other related costs (Note 24)	6,058,723	24,556	6,058,723	24,556	5,517,644	23,003
Depreciation and amortization (Notes 10 and 11)	4,175,217	16,922	4,175,217	16,922	2,301,846	9,596
Utilities	1,131,211	4,585	1,131,211	4,585	589,052	2,456
Charitable donations and gifts	1,095,701	4,441	1,095,701	4,441	349,901	1,459
Building rental	538,829	2,184	538,829	2,184	393,919	1,642
Travel, accommodation and foods	485,079	1,966	485,079	1,966	316,122	1,318
Communication	475,016	1,925	475,016	1,925	505,152	2,106
Advertising and public relations	465,790	1,888	465,790	1,888	405,039	1,689
Taxes and duties	371,704	1,507	371,704	1,507	273,356	1,140
Repair and maintenance	305,449	1,238	305,449	1,238	256,190	1,068
Legal and professional fees	209,213	848	209,213	848	153,332	639
Stationery and supplies	159,535	647	159,535	647	126,007	525
Motor vehicles	152,103	616	152,103	616	62,952	262
Printing and forms	128,231	520	128,231	520	104,816	437
Insurance	91,631	371	91,631	371	21,822	91
Others	321,214	1,302	317,831	1,288	337,939	1,408
	16,164,646	65,516	16,161,263	65,502	11,715,089	48,839

Others include BOD fees, security and messenger services, freight and clearing house expenses.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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24. STAFF AND OTHER RELATED COST

Details of the Group and the Bank's staff and other related costs follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Salaries	5,268,077	21,352	4,816,874	20,082
Staff gratitude benefits	441,465	1,789	356,938	1,488
Other short term benefits	349,181	1,415	343,832	1,433
	6,058,723	24,556	5,517,644	23,003

25. PROVISION FOR LOSSES ON LOANS AND ADVANCES

	2010 US\$	2010 Riel Million (Note 2.1)	2009 US\$	2009 Riel Million (Note 2.1)
Provision for loan losses (Note 7a)	3,525,261	14,288	8,453,281	35,242
Recovery of loan losses (Note 7a)	(2,370,765)	(9,609)	(6,029,780)	(25,138)
	1,154,496	4,679	2,423,501	10,104

26. INCOME TAX

a) Current tax liabilities

The movements of the Group and the Bank's income tax payable follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Balance at beginning of year	3,624,299	14,689	4,834,595	20,156
Current income tax expense	4,088,584	16,571	4,172,434	17,395
Income tax paid	(4,197,979)	(17,014)	(5,382,730)	(22,441)
Balance at end of year	3,514,904	14,246	3,624,299	15,110

Income tax is calculated by applying the corporate income tax rate to taxable income.

The Bank has obtained tax clearance up to the fiscal year 2009. The current year's income tax is subject to the General Department of Taxation ("GDT") assessment, the outcome of which cannot be determined as at the date of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

26. INCOME TAX (continued)

b) Income tax expense

The Group's tax returns are subject to periodic examination by the GDT. As the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date, upon final determination by the GDT.

Income tax expense consists of:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Current	4,088,584	16,571	4,172,434	17,395
Deferred	(352,309)	(1,428)	-	-
	<u>3,736,275</u>	<u>15,143</u>	<u>4,172,434</u>	<u>17,395</u>

The components of recognized net deferred income tax asset follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)
Deferred income tax asset on:		
Unearned income	352,688	1,430
Deferred income tax liability on:		
Unrealized foreign exchange gain	379	2
Deferred income tax asset - net	<u>352,309</u>	<u>1,428</u>

No deferred tax has been recognised in 2009 as there are no material temporary differences.

Reconciliation between accounting and taxable profit is as follows:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Accounting profit before income tax	18,872,461	76,490	24,523,500	102,239
Non-deductible expenses	1,572,355	6,373	486,885	2,030
Non-taxable income	(1,896)	(8)	(4,148,212)	(17,294)
Taxable profit subject to 20% tax rate	<u>20,442,920</u>	<u>82,855</u>	<u>20,862,173</u>	<u>86,975</u>
Current income tax expense	<u>4,088,584</u>	<u>16,571</u>	<u>4,172,434</u>	<u>17,395</u>

In accordance with Cambodian tax laws, the Bank has an obligation to pay corporate income tax of either tax on profit at the rate of 20.0% on taxable profit or minimum tax at 1.0% of turnover, whichever is higher.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

27. CASH GENERATED FROM OPERATIONS

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2009 US\$</i>	<i>2009 Million Riel equivalent (Note 2.1)</i>
Profit before income tax	18,869,222	76,477	18,872,461	76,490	24,523,500	102,239
Adjustments for:						
Depreciation and amortization (Notes 10 and 11)	4,175,217	16,922	4,175,217	16,922	2,301,846	9,596
Provision for loan losses (Note 7a)	3,525,261	14,288	3,525,261	14,288	8,453,281	35,242
Recovery of loan losses (Note 7a)	(2,370,765)	(9,609)	(2,370,765)	(9,609)	(6,029,780)	(25,138)
Gain on disposal of property and equipment (Note 10)	(3,984)	(16)	(3,984)	(16)	(228,212)	(952)
Gain on disposal of FTB shares (Note 8)	-	-	-	-	(3,920,000)	(16,342)
Changes in working capital:						
Balances with other banks	1,896,629	7,687	1,896,629	7,687	(8,326,744)	(34,714)
Reserve requirement with the NBC	(25,751,770)	(104,372)	(24,764,847)	(100,372)	(7,178,758)	(29,928)
Loans and advances	(137,042,611)	(555,434)	(137,042,611)	(555,434)	27,591,298	115,028
Property foreclosed	-	-	-	-	2,100,000	8,755
Other assets	4,548,347	18,434	4,566,441	18,508	(11,022,544)	(45,953)
Deposits from banks	83,477,518	338,334	83,477,518	338,334	7,529,141	31,389
Deposits from customers	199,397,406	808,158	199,447,550	808,361	118,680,990	494,781
Provision for staff gratitude (Note 17)	317,719	1,288	317,719	1,288	285,200	1,189
Other liabilities	3,162,438	12,817	3,162,438	12,817	4,031,384	16,807
Cash generated from operations	154,200,627	624,974	155,259,027	629,264	158,790,602	661,999

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

28. COMMITMENTS AND CONTINGENCIES

a) *Loan commitments, guarantees and other financial liabilities*

Contractual amounts arising from off-balance sheet financial instruments that the Bank committed to extend credit to customers, guarantees and other facilities are as follows:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Unused portion of approved credit facilities	43,986,394	178,277	39,828,331	166,044
Bankers' acceptance	4,188,224	16,975	3,707,247	15,455
Documentary credit	5,138,450	20,826	3,309,806	13,799
Performance and bankers' guarantees	2,651,268	10,746	1,407,072	5,866
Others	59,597	242	66,197	276
	56,023,933	227,066	48,318,653	201,440

No material losses are anticipated as a result of these transactions.

b) *Lease commitments*

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases of its branches in Phnom Penh and provinces are as follows:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Not later than one year	454,210	1,841	477,785	1,992
Later than one year and not later than five years	1,347,373	5,461	1,374,815	5,732
Over five years	2,967,296	12,026	2,205,518	9,195
	4,768,879	19,328	4,058,118	16,919

c) *Capital expenditure and other service commitments*

Capital commitments authorised and contracted for new office buildings, new core banking software and other related services as at balance sheet date are as follows:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Not later than one year	235,913	956	1,158,801	4,831

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as at 31 December 2010 and for the year then ended

29. RELATED PARTY TRANSACTIONS AND BALANCES

A number of banking transactions are entered into with related parties in the normal course of business which include loans, deposits and foreign currency transactions.

The Bank's related party transactions, outstanding balances at year-end, and related expense and income for the year are as follows:

a) Loans and advances to Directors and key management

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
At beginning of year	205,877	834	180,805	754
Loans advanced during the year	-	-	64,436	268
Loan repayments received	(28,070)	(113)	(39,364)	(164)
At end of year	177,807	721	205,877	858
Interest received	14,635	59	17,867	74

Loans to Directors and key management earn annual interest at rates ranging from 10% to 12%.

b) Deposits with a related party

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Non-interest bearing deposits in a current account with FTB	194,172	787	161,159	672

c) Deposits from related parties

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Deposits from:				
Parent company	156,847	636	142,509	594
Subsidiary	50,144	204	-	-
Directors and key management	480,503	1,947	492,460	2,053
Term deposits from an affiliated company	4,200,000	17,023	4,200,000	17,509
Other related companies	145,613	590	147,228	614
Total deposits	5,033,107	20,400	4,982,197	20,770
Interest paid	236,575	959	281,019	1,172

The deposits from CIHP, Directors and key management bear interest of 0.75% per annum. Term deposits from an affiliated company bear interest at 5.50% per annum.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Subordinated debt

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Subordinated debt from Mr. Pung Kheav Se	<u>7,080,000</u>	<u>28,695</u>	<u>7,080,000</u>	<u>29,517</u>

The subordinated debt is non-interest bearing and with no fixed term of repayment. This subordinate debt was used to finance the acquisition of FTB shares.

e) Key management compensation

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Salary and short term benefits	<u>633,550</u>	<u>2,568</u>	<u>501,975</u>	<u>2,093</u>

f) Other transactions with related parties

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Management fee charged by parent entity	<u>33,000</u>	<u>134</u>	<u>33,000</u>	<u>138</u>

Canadia Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT

The Group and the Bank's activities expose them to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are the inevitable consequence of being in business.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

The Group and the Bank hold the following financial assets and liabilities:

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2010</i> <i>US\$</i>	<i>2010</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>	<i>2009</i> <i>US\$</i>	<i>2009</i> <i>Million Riel</i> <i>equivalent</i> <i>(Note 2.1)</i>
Financial assets						
Cash on hand	61,351,180	248,656	61,351,180	248,656	35,945,109	149,855
Balances with the NBC	357,942,300	1,450,740	356,955,377	1,446,740	198,667,290	828,244
Balances with other banks	76,371,137	309,532	76,371,137	309,532	81,939,255	341,605
Loans and advances	496,475,514	2,012,215	496,475,514	2,012,215	360,587,399	1,503,289
AFS investment	3,500,000	14,186	3,500,000	14,186	3,500,000	14,592
Other assets	6,601,748	26,757	6,601,748	26,757	12,766,493	53,223
Total financial assets	1,002,241,879	4,062,086	1,001,254,956	4,058,086	693,405,546	2,890,808
Financial liabilities						
Deposits from banks	116,784,640	473,328	116,784,640	473,328	33,307,122	138,857
Deposits from customers	754,440,405	3,057,746	754,490,549	3,057,950	555,042,999	2,313,974
Borrowings	12,517,419	50,733	12,517,419	50,733	3,234,615	13,485
Subordinated debt	7,080,000	28,695	7,080,000	28,695	7,080,000	29,517
Other liabilities	12,882,076	52,212	12,882,076	52,212	8,213,090	34,240
Total financial liabilities	903,704,540	3,662,714	903,754,684	3,662,918	606,877,826	2,530,073
Net financial assets	98,537,339	399,372	97,500,272	395,168	86,527,720	360,735

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk

The Group and the Bank take exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit risk management is carried out by the Bank's credit committee.

a) *Credit risk measurement*

The Group and the Bank assesses the probability of default of individual counterparties using internal rating tool. Credit committee is responsible for determining the risk rating for each borrower.

In measuring credit risk of loans and advances at a counterparty level, the Group and the Bank reflects the nine risk rating grades which are: (i) minimal risk, (ii) below average risk, (iii) average risk, (iv) above average risk, (v) higher than above average risk but still acceptable, (vi) watch, (vii) substandard, (viii) doubtful and (ix) loss.

Risk ratings are reviewed and updated at least annually, and in event of change of loan terms and conditions including extension; repayment irregularities or delinquencies; and adverse information relating to the borrower or transaction.

b) *Risk limit control and mitigation policies*

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10.0% of the Bank's net worth.

The Bank is required, under the conditions of Prakas No. B7-06-226, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any individual beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types as security for loans and advances are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

c) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-09-074 dated 25 February 2009. The NBC requires commercial banks to classify their loan portfolio into five classes and the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral, as follows:

	2010	2009
Normal	1%	1%
Special mention	3%	3%
Substandard	20%	20%
Doubtful	50%	50%
Loss	100%	100%

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

d) *Maximum exposure to credit risk before collateral held or other credit enhancements of the Group and the Bank follow:*

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2009 US\$</i>	<i>2009 Million Riel equivalent (Note 2.1)</i>
Credit risk exposures relating to on-balance sheet assets:						
Balances with the NBC	357,942,300	1,450,740	356,955,377	1,446,740	198,667,290	828,244
Balances with other banks	76,371,137	309,532	76,371,137	309,532	81,939,255	341,605
Loans and advances	496,475,514	2,012,215	496,475,514	2,012,215	360,587,399	1,503,289
Other assets	6,601,748	26,757	6,601,748	26,757	12,766,493	53,223
Credit risk exposures relating to off-balance sheet items:						
Unused portion of approved credit facilities	43,986,394	178,277	43,986,394	178,277	39,828,331	166,044
Guarantees, acceptances and other financial facilities	12,037,539	48,789	12,037,539	48,789	8,490,322	35,396

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. About 50.0% of total maximum exposure is derived from loans and advances (2009: 51.3%).

Management is confident in its ability to continue to control and sustain minimal exposure on credit risk resulting from its loans and advances due to the following:

- Almost all loans and advances are collateralised and loan to collateral value range from 60% to 70%.
- 87.9% of loan portfolio are considered neither past due nor impaired (2009: 86.2%).

Allowance for losses on loans and advances had been provided for those individually impaired loans in accordance with the NBC's requirement.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

e) Loans and advances

Loans and advances follow:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Loans and advances neither past due nor impaired	459,286,358	1,861,488	332,037,233	1,384,263
Loans and advances past due but not impaired	32,245,963	130,692	21,427,759	89,333
Loans and advances individually impaired	30,944,163	125,417	31,640,236	131,908
Total gross loans	522,476,484	2,117,597	385,105,228	1,605,504
<i>Less:</i>				
Allowance for losses on loans and advances	(24,237,528)	(98,235)	(23,101,677)	(96,311)
Unamortised loan commitment fees	(1,763,442)	(7,147)	(1,416,152)	(5,904)
	496,475,514	2,012,215	360,587,399	1,503,289

For loan provisioning purposes, expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's requirement.

i. Loans and advances neither past due nor impaired

Loans and advances not past due are not considered impaired, unless other information is available to indicate the contrary.

ii. Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances that were past due but not impaired are as follows:

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Past due up to 30 days	25,886,793	104,919	15,105,274	62,974
Past due 31 to 60 days	107,618	436	2,037,660	8,495
Past due 61 to 90 days	6,251,552	25,337	4,284,825	17,864
Total	32,245,963	130,692	21,427,759	89,333
Value of collateral	67,083,997	271,891	79,496,011	331,419

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

e) *Loans and advances* (continued)

iii. Loans and advances individually impaired

In accordance with Prakas B7-09-074 dated 25 February 2009 on the classification and provisioning for bad and doubtful debts, loans and advances that are past due for more than 90 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

	2010 US\$	2010 Million Riel equivalent (Note 2.1)	2009 US\$	2009 Million Riel equivalent (Note 2.1)
Past due 91 to 180 days	12,502,143	50,671	15,665,687	65,310
Past due 181 to 360 days	4,462,828	18,088	597,535	2,491
Past due for more than 360 days	<u>13,979,192</u>	<u>56,658</u>	<u>15,377,014</u>	<u>64,107</u>
Total	<u>30,944,163</u>	<u>125,417</u>	<u>31,640,236</u>	<u>131,908</u>
Value of collateral	<u>59,008,358</u>	<u>239,161</u>	<u>51,162,170</u>	<u>213,295</u>

The value of collateral is based on the valuation assessed by property valuation agents or performed internally by the Bank during the loan approval process or upon loan renewal. As the current property price is volatile, the fair value of collateral assessed when the loan was approved might be different from current value. Under the NBC's regulation, the value of collateral is not taken into account when determining the impairment of loans and advances.

iv. Loans and advances renegotiated

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, the loan is still kept in its current classification unless there is strong evidence of improvement in the customer's financial condition.

The Bank restructured loans and advances amounting to US\$4.01 million during the year and these loans were classified as non-performing loans as at 31 December 2010 (2009: US\$15.14 million).

f) *Reposessed properties*

Reposessed properties are classified in the balance sheet as foreclosed properties.

The Group and the Bank have not reposessed any properties during the year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

g) Concentration of financial assets with credit risk exposure

i. Geographical sector

The following table provides a breakdown of the Group and the Bank's main credit exposure at their carrying amount, as categorised by geographical region. The Group and the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

	<i>Consolidated</i>					
	<i>Cambodia US\$</i>	<i>Canada and USA US\$</i>	<i>China and Hong Kong US\$</i>	<i>Other ASEAN Countries US\$</i>	<i>Other Countries US\$</i>	<i>Total US\$</i>
As at 31 December 2010						
Balances with the NBC	357,942,300	-	-	-	-	357,942,300
Balances with other banks	9,904,243	17,555,680	25,532,801	20,968,879	2,409,534	76,371,137
Loans and advances	496,475,514	-	-	-	-	496,475,514
Other assets	6,104,586	497,162	-	-	-	6,601,748
Total credit exposure	870,426,643	18,052,842	25,532,801	20,968,879	2,409,534	937,390,699
Equivalent in million Riel (Note 2.1)	3,527,839	73,168	103,484	84,987	9,766	3,799,244

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

g) Concentration of financial assets with credit risk exposure

i. Geographical sector (continued)

	<i>Bank</i>					<i>Total US\$</i>
	<i>Cambodia US\$</i>	<i>Canada and USA US\$</i>	<i>China and Hong Kong US\$</i>	<i>Other ASEAN Countries US\$</i>	<i>Other Countries US\$</i>	
As at 31 December 2010						
Balances with the NBC	356,955,377	-	-	-	-	356,955,377
Balances with other banks	9,904,243	17,555,680	25,532,801	20,968,879	2,409,534	76,371,137
Loans and advances	496,475,514	-	-	-	-	496,475,514
Other assets	6,104,586	497,162	-	-	-	6,601,748
Total credit exposure	869,439,720	18,052,842	25,532,801	20,968,879	2,409,534	936,403,776
<i>Equivalent in million Riel (Note 2.1)</i>	3,523,839	73,168	103,484	84,987	9,766	3,795,244
As at 31 December 2009						
Balances with the NBC	198,667,290	-	-	-	-	198,667,290
Balances with other banks	16,437,081	11,304,963	33,648,709	18,435,613	2,112,889	81,939,255
Loans and advances	360,587,399	-	-	-	-	360,587,399
Other assets	12,550,660	215,833	-	-	-	12,766,493
Total credit exposure	588,242,430	11,520,796	33,648,709	18,435,613	2,112,889	653,960,437
<i>Equivalent in million Riel (Note 2.1)</i>	2,452,383	48,030	140,281	76,858	8,809	2,726,361

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

g) Concentration of financial assets with credit risk exposure (continued)

ii. Industry sector

The following table provides a breakdown of the Group and the Bank's main credit exposure at their carrying amounts, as categorised by industry sector.

	<i>Consolidated</i>								
	<i>Financial institution US\$</i>	<i>Service US\$</i>	<i>Mortgage US\$</i>	<i>Building and construction US\$</i>	<i>Wholesale and retail US\$</i>	<i>Import and export US\$</i>	<i>Agriculture US\$</i>	<i>Others US\$</i>	<i>Total US\$</i>
As at 31 December 2010									
Balances with the NBC	357,942,300	-	-	-	-	-	-	-	357,942,300
Balances with other banks	76,371,137	-	-	-	-	-	-	-	76,371,137
Loans and advances to customers	-	100,869,489	78,762,161	52,683,203	166,347,870	35,806,484	25,949,016	36,057,291	496,475,514
Other assets	680,317	4,270,369	63,713	145,564	715,352	487,896	101,576	136,961	6,601,748
Total credit exposure	434,993,754	105,139,858	78,825,874	52,828,767	167,063,222	36,294,380	26,050,592	36,194,252	937,390,699
<i>Equivalent in million Riel (Note 2.1)</i>	1,763,030	426,132	319,481	214,115	677,107	147,101	105,583	146,695	3,799,244

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

g) Concentration of financial assets with credit risk exposure (continued)

ii. Industry sector (continued)

	Bank								
	<i>Financial institution</i> US\$	<i>Service</i> US\$	<i>Mortgage</i> US\$	<i>Building and construction</i> US\$	<i>Wholesale and retail</i> US\$	<i>Import and export</i> US\$	<i>Agriculture</i> US\$	<i>Others</i> US\$	<i>Total</i> US\$
As at 31 December 2010									
Balances with the NBC	356,955,377	-	-	-	-	-	-	-	- 356,955,377
Balances with other banks	76,371,137	-	-	-	-	-	-	-	- 76,371,137
Loans and advances to customers	-	100,869,489	78,762,161	52,683,203	166,347,870	35,806,484	25,949,016	36,057,291	496,475,514
Other assets	680,317	4,270,369	63,713	145,564	715,352	487,896	101,576	136,961	6,601,748
Total credit exposure	434,006,831	105,139,858	78,825,874	52,828,767	167,063,222	36,294,380	26,050,592	36,194,252	936,403,776
<i>Equivalent in million Riel (Note 2.1)</i>	<u>1,759,030</u>	<u>426,132</u>	<u>319,481</u>	<u>214,115</u>	<u>677,107</u>	<u>147,101</u>	<u>105,583</u>	<u>146,695</u>	<u>3,795,244</u>
As at 31 December 2009									
Balances with the NBC	198,667,290	-	-	-	-	-	-	-	- 198,667,290
Balances with other banks	81,939,255	-	-	-	-	-	-	-	- 81,939,255
Loans and advances to customers	-	101,882,044	87,503,657	38,823,931	61,300,064	17,642,533	18,778,911	34,656,259	360,587,399
Other assets	235,839	6,094,801	58,796	5,088,199	487,620	46,731	353,361	401,146	12,766,493
Total credit exposure	280,842,384	107,976,845	87,562,453	43,912,130	61,787,684	17,689,264	19,132,272	35,057,405	653,960,437
<i>Equivalent in million Riel (Note 2.1)</i>	<u>1,170,832</u>	<u>450,155</u>	<u>365,048</u>	<u>183,070</u>	<u>257,593</u>	<u>73,747</u>	<u>79,762</u>	<u>146,154</u>	<u>2,726,361</u>

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30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk

The Bank takes exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

a) Foreign exchange risk

The Bank operates in Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel, Euro and Thai Baht.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

The management monitors their foreign exchange risk against functional currencies. However, the Bank does not hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The Bank did not present the sensitivity analysis on the impact of reasonably possible change in foreign currency on profit and loss before tax and equity since the exposure to foreign currency risk is minimal.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

a) Foreign exchange risk (continued)

The table below summarises the Group and the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial instruments at their carrying amounts by currency in US\$ equivalent.

	<i>Consolidated</i>					<i>Total</i>
	<i>US\$</i>	<i>Riel</i>	<i>EUR</i>	<i>THB</i>	<i>Other</i>	
As at 31 December 2010						
Financial assets						
Cash on hand	46,307,870	11,290,385	214,840	3,408,508	129,577	61,351,180
Balances with the NBC	349,552,238	8,390,062	-	-	-	357,942,300
Balances with other banks	74,436,560	129,622	1,143,908	10,689	650,358	76,371,137
Loans and advances	495,407,944	145,542	-	922,028	-	496,475,514
Other assets	4,721,729	1,880,019	-	-	-	6,601,748
Total financial assets	970,426,341	21,835,630	1,358,748	4,341,225	779,935	998,741,879
Financial liabilities						
Deposits from banks	116,406,468	378,172	-	-	-	116,784,640
Deposits from customers	734,446,985	16,616,576	70,570	3,306,274	-	754,440,405
Borrowings	12,517,419	-	-	-	-	12,517,419
Subordinated debt	7,080,000	-	-	-	-	7,080,000
Other liabilities	12,688,908	150,074	-	43,094	-	12,882,076
Total financial liabilities	883,139,780	17,144,822	70,570	3,349,368	-	903,704,540
Net position	87,286,561	4,690,808	1,288,178	991,857	779,935	95,037,339
<i>Equivalent in million Riel (Note 2.1)</i>	353,772	19,012	5,221	4,020	3,160	385,185
Credit commitments	55,656,210	61,745	3,571	302,407	-	56,023,933

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

	<i>Bank</i>					<i>Total</i>
	<i>US\$</i>	<i>Riel</i>	<i>EUR</i>	<i>THB</i>	<i>Other</i>	
As at 31 December 2010						
Financial assets						
Cash on hand	46,307,870	11,290,385	214,840	3,408,508	129,577	61,351,180
Balances with the NBC	349,552,238	7,403,139	-	-	-	356,955,377
Balances with other banks	74,436,560	129,622	1,143,908	10,689	650,358	76,371,137
Loans and advances	495,407,944	145,542	-	922,028	-	496,475,514
Other assets	4,721,729	1,880,019	-	-	-	6,601,748
Total financial assets	970,426,341	20,848,707	1,358,748	4,341,225	779,935	997,754,956
Financial liabilities						
Deposits from banks	116,406,468	378,172	-	-	-	116,784,640
Deposits from customers	734,497,129	16,616,576	70,570	3,306,274	-	754,490,549
Borrowings	12,517,419	-	-	-	-	12,517,419
Subordinated debt	7,080,000	-	-	-	-	7,080,000
Other liabilities	12,688,908	150,074	-	43,094	-	12,882,076
Total financial liabilities	883,189,924	17,144,822	70,570	3,349,368	-	903,754,684
Net position	87,236,417	3,703,885	1,288,178	991,857	779,935	94,000,272
<i>Equivalent in million Riel (Note 2.1)</i>	353,569	15,012	5,221	4,020	3,160	380,982
Credit commitments	55,656,210	61,745	3,571	302,407	-	56,023,933

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

a) Foreign exchange risk (continued)

	<i>Bank</i>					<i>Total</i>
	<i>US\$</i>	<i>Riel</i>	<i>EUR</i>	<i>THB</i>	<i>Other</i>	
As at 31 December 2009						
Financial assets						
Cash on hand	32,100,778	2,398,890	101,146	1,273,039	71,256	35,945,109
Balances with the NBC	196,405,205	2,262,085	-	-	-	198,667,290
Balances with other banks	78,891,116	22,699	1,069,560	17,709	1,938,171	81,939,255
Loans and advances	359,349,391	-	-	1,238,008	-	360,587,399
Other assets	12,574,692	183,760	-	8,041	-	12,766,493
Total financial assets	679,321,182	4,867,434	1,170,706	2,536,797	2,009,427	689,905,546
Financial liabilities						
Deposits from banks	33,304,342	2,780	-	-	-	33,307,122
Deposits from customers	545,413,074	7,506,711	37,464	2,085,750	-	555,042,999
Borrowings	3,234,615	-	-	-	-	3,234,615
Subordinated debt	7,080,000	-	-	-	-	7,080,000
Other liabilities	8,120,794	52,679	20,605	19,012	-	8,213,090
Total financial liabilities	597,152,825	7,562,170	58,069	2,104,762	-	606,877,826
Net position	82,168,357	(2,694,736)	1,112,637	432,035	2,009,427	83,027,720
<i>Equivalent in million Riel</i> <i>(Note 2.1)</i>	342,560	(11,234)	4,639	1,801	8,377	346,143
Credit commitments	47,972,126	25,280	114,882	206,365	-	48,318,653

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

b) *Equity price risk*

Equity price risk is the risk that the fair values of equity instruments will fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The Bank is not exposed to equity price risk because it does not hold any quoted equity investments. The Bank currently does not have a policy to manage its price risk.

c) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. At this stage, the management of the Bank does not have a policy to set limits on the level of mismatch of interest rate repricing.

The Bank's interest rate exposure is limited to its borrowings that are repricing every year.

The Bank does not present a sensitivity analysis on the impact of the reasonably possible changes in interest rates on its profit and loss and equity since its exposure to interest rate risk is minimal.

30.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

a) *Liquidity risk management process*

Management monitors balance sheet liquidity and manage the concentration and profile of debt maturities. Monitoring and reporting, taking the form of daily cash position and projection for the next day, week and month respectively, are key periods for liquidity management. In addition, management monitors the movement of main depositors and projection of their withdrawals.

b) *Funding approach*

The Bank's main sources of liquidity arise from shareholder's paid-up capital and customers' deposits. The sources of liquidity are regularly reviewed by management through review of maturity of term deposits and the key depositors.

c) *Non-derivative cash flows*

The table below presents the cash flows of the financial instruments by the Group and the Bank by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group and the Bank manages the inherent liquidity risk based on expected undiscounted cash flows.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

	<i>Consolidated</i>					<i>Total US\$</i>
	<i>Up to 1 month US\$</i>	<i>1 to 3 months US\$</i>	<i>4 to 12 months US\$</i>	<i>1 to 5 years US\$</i>	<i>Over 5 years US\$</i>	
As at 31 December 2010						
Financial assets						
Cash on hand	61,351,180	-	-	-	-	61,351,180
Balances with the NBC	263,556,047	-	89,344,830	-	5,041,423	357,942,300
Balances with other banks	58,371,137	7,000,000	1,000,000	-	10,000,000	76,371,137
Loans and advances	95,054,134	44,889,647	251,230,297	78,745,334	26,556,102	496,475,514
AFS investment	-	-	3,500,000	-	-	3,500,000
Other assets	525,920	3,648,392	2,427,436	-	-	6,601,748
Total financial assets by remaining contractual maturities	478,858,418	55,538,039	347,502,563	82,245,334	41,597,525	1,002,241,879
Financial liabilities						
Deposits from banks	71,590,743	25,960,351	19,149,798	282,124	-	116,983,016
Deposits from customers	387,898,072	101,947,385	260,202,348	18,729,888	7,228,337	776,006,030
Borrowings	-	437,874	426,343	1,701,372	10,303,424	12,869,013
Subordinated debt	-	-	-	7,080,000	-	7,080,000
Other liabilities	12,449,566	432,510	-	-	-	12,882,076
Total financial liabilities by remaining contractual maturities	471,938,381	128,778,120	279,778,489	27,793,384	17,531,761	925,820,135
Net liquidity surplus (gap)	6,920,037	(73,240,081)	67,724,074	50,951,950	24,065,764	76,421,744
<i>Equivalent in million Riel (Note 2.1)</i>	28,047	(296,842)	274,486	206,508	97,539	309,738

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

c) *Non-derivative cash flows* (continued)

	<i>Bank</i>					<i>Total US\$</i>
	<i>Up to 1 month US\$</i>	<i>1 to 3 months US\$</i>	<i>4 to 12 months US\$</i>	<i>1 to 5 years US\$</i>	<i>Over 5 years US\$</i>	
As at 31 December 2010						
Financial assets						
Cash on hand	61,351,180	-	-	-	-	61,351,180
Balances with the NBC	263,556,047	-	89,344,830	-	4,054,500	356,955,377
Balances with other banks	58,371,137	7,000,000	1,000,000	-	10,000,000	76,371,137
Loans and advances	95,054,134	44,889,647	251,230,297	78,745,334	26,556,102	496,475,514
AFS investment	-	-	3,500,000	-	-	3,500,000
Other assets	525,920	3,648,392	2,427,436	-	-	6,601,748
Total financial assets by remaining contractual maturities	478,858,418	55,538,039	347,502,563	78,745,334	40,610,602	1,001,254,956
Financial liabilities						
Deposits from banks	71,640,887	25,960,351	19,149,798	282,124	-	117,033,160
Deposits from customers	387,898,072	101,947,385	260,202,348	18,729,888	7,228,337	776,006,030
Borrowings	-	437,874	426,343	1,701,372	10,303,424	12,869,013
Subordinated debt	-	-	-	7,080,000	-	7,080,000
Other liabilities	12,449,566	432,510	-	-	-	12,882,076
Total financial liabilities by remaining contractual maturities	471,988,525	128,778,120	279,778,489	27,793,384	17,531,761	925,870,279
Net liquidity surplus (gap)	6,869,893	(73,240,081)	67,724,074	50,951,950	23,078,841	75,384,677
<i>Equivalent in million Riel (Note 2.1)</i>	27,844	(296,842)	274,486	206,508	93,539	305,535

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

c) *Non-derivative cash flows* (continued)

	<i>Bank</i>					<i>Total US\$</i>
	<i>Up to 1 month US\$</i>	<i>1 to 3 months US\$</i>	<i>4 to 12 months US\$</i>	<i>1 to 5 years US\$</i>	<i>Over 5 years US\$</i>	
As at 31 December 2009						
Financial assets						
Cash on hand	35,945,109	-	-	-	-	35,945,109
Balances with the NBC	86,032,807	44,000,000	-	-	68,634,483	198,667,290
Balances with other banks	77,939,255	2,000,000	2,000,000	-	-	81,939,255
Loans and advances	117,798,652	20,436,772	118,666,064	36,322,839	67,363,072	360,587,399
AFS investment	-	-	-	3,500,000	-	3,500,000
Other assets	3,385,538	2,102,355	7,278,600	-	-	12,766,493
Total financial assets by remaining contractual maturities	321,101,361	68,539,127	127,944,664	39,822,839	135,997,555	693,405,546
Financial liabilities						
Deposits from banks	18,950,563	15,399,122	3,102,500	-	-	37,452,185
Deposits from customers	320,107,480	70,729,508	151,948,694	15,306,536	-	558,092,218
Borrowings	-	398,040	447,344	2,560,138	303,204	3,708,726
Subordinated debt	-	-	-	7,080,000	-	7,080,000
Other liabilities	7,852,015	361,075	-	-	-	8,213,090
Total financial liabilities by remaining contractual maturities	346,910,058	86,887,745	155,498,538	24,946,674	303,204	614,546,219
Net liquidity surplus (gap)	(25,808,697)	(18,348,618)	(27,553,874)	14,876,165	135,694,351	78,859,327
<i>Equivalent in million Riel (Note 2.1)</i>	(107,596)	(76,495)	(114,872)	62,019	565,710	328,766

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NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

d) Off-balance sheet items

i. Loan commitments

The contractual maturity dates of the Bank's off-balance sheet financial instruments with commitment to extend credit to customers and other facilities, as disclosed in Note 29, are summarised in the table below.

ii. Other financial facilities

Other financial facilities, as disclosed in Note 29, are also included below based on the earliest contractual date.

iii. Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases, as disclosed in Note 29, are summarised in the table below.

iv. Capital commitments

Capital commitments for the construction of head office buildings and acquisitions of property and equipment, as disclosed in Note 29, are summarised in the table below.

	<i>No later than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
As at 31 December 2010				
Unused portion of approved credit facility	43,986,394	-	-	43,986,394
Acceptances and other financial facilities	11,374,350	663,189	-	12,037,539
Operating lease commitments	454,210	1,347,373	2,967,296	4,768,879
Capital commitments	235,913	-	-	235,913
TOTAL	<u>56,050,867</u>	<u>2,010,562</u>	<u>2,967,296</u>	<u>61,028,725</u>
<i>Equivalent in million Riel (Note 2.1)</i>	<u>227,174</u>	<u>8,149</u>	<u>12,026</u>	<u>247,349</u>
As at 31 December 2009				
Unused portion of approved credit facility	39,828,331	-	-	39,828,331
Acceptances and other financial facilities	7,759,869	729,103	1,350	8,490,322
Operating lease commitments	477,785	1,374,815	2,205,518	4,058,118
Capital commitments	1,158,801	-	-	1,158,801
TOTAL	<u>49,224,786</u>	<u>2,103,918</u>	<u>2,206,868</u>	<u>53,535,572</u>
<i>Equivalent in million Riel (Note 2.1)</i>	<u>205,218</u>	<u>8,771</u>	<u>9,201</u>	<u>223,190</u>

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NOTE TO THE FINANCIAL STATEMENTS (continued)
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31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2010, comprising:

i. Balances with the NBC and other banks

The carrying amounts of balances with the NBC and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

ii. Loans and advances

Loans and advances are stated net of allowance for losses on loans and advances as determined based on the requirements of the relevant NBC Prakas.

iii. Deposits from customers and deposits from banks

The fair values of deposit from customers and deposits from banks approximate their carrying amounts. The estimated fair value of deposits with no stated maturities, which include non-interest earning deposits, is the amount repayable on demand.

Deposits with fixed interest are not quoted in active market and are short-term. Their fair value approximates the carrying amount.

iv. Borrowings

Borrowings are not quoted in active market and their fair value approximates their carrying amount.

v. Subordinated debt

The estimated fair value of subordinated debt with no stated maturities is the amount repayable on demand.

32. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- To comply with the capital requirement set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide return for shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of business.

The NBC requires all commercial banks to hold minimum capital requirement, maintain the Bank's net worth at least equal to minimum capital, and comply with solvency, liquidity and other prudential ratios.

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NOTE TO THE FINANCIAL STATEMENTS (continued)
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32. CAPITAL MANAGEMENT (continued)

The table below summarises the composition of regulatory capital of the Group and the Bank:

	<i>Consolidated</i>		<i>Bank</i>			
	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2010 US\$</i>	<i>2010 Million Riel equivalent (Note 2.1)</i>	<i>2009 US\$</i>	<i>2009 Million Riel equivalent (Note 2.1)</i>
Tier I capital						
Statutory capital	40,545,000	164,329	40,545,000	164,329	40,545,000	169,032
Retained earnings	90,189,148	365,536	90,192,387	365,550	75,056,201	312,909
	130,734,148	529,865	130,737,387	529,879	115,601,201	481,941
Tier II capital						
Subordinated debt	7,080,000	28,695	7,080,000	28,695	7,080,000	29,517
Less:						
Investments to banks and financial institutions	(3,500,000)	(14,186)	(4,558,400)	(18,476)	(3,500,000)	(14,592)
Intangible assets	(423,492)	(1,716)	(423,492)	(1,716)	(714,828)	(2,980)
Loans and advances to related parties	(177,807)	(721)	(177,807)	(721)	(205,877)	(858)
	(4,101,299)	(16,623)	(5,159,699)	(20,913)	(4,420,705)	(18,430)
Total regulatory capital (net worth)	133,712,849	541,937	132,657,688	537,661	118,260,496	493,028

Subordinated debt is treated as a financial liability for financial reporting purposes and considered as a Tier II capital in the calculation of the Bank's net worth in accordance with the guidelines of the NBC.

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NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2010 and for the year then ended

33. CORRESPONDING FIGURES

	2009		
	<i>As previously presented</i> US\$	<i>Reclassification</i> US\$	<i>As currently presented</i> US\$
Balance sheet items:			
Property and equipment:			
Freehold land	4,378,140	130,350	4,508,490
Assets under construction	130,350	(130,350)	-

Certain accounts in the 2009 financial statements have been reclassified to conform with current year's presentation.

34. EXCHANGE RATES OF US\$ AND APPLICABLE FOREIGN CURRENCIES AGAINST KHMER RIEL AT YEAR END

	2010 KHR	2009 KHR
EUR	5,390	6,008
JPY	50	45
US\$	4,053	4,169
AU\$	4,117	3,755
CA\$	4,054	3,971
CNY	613	613
HK\$	521	537
THB	135	126