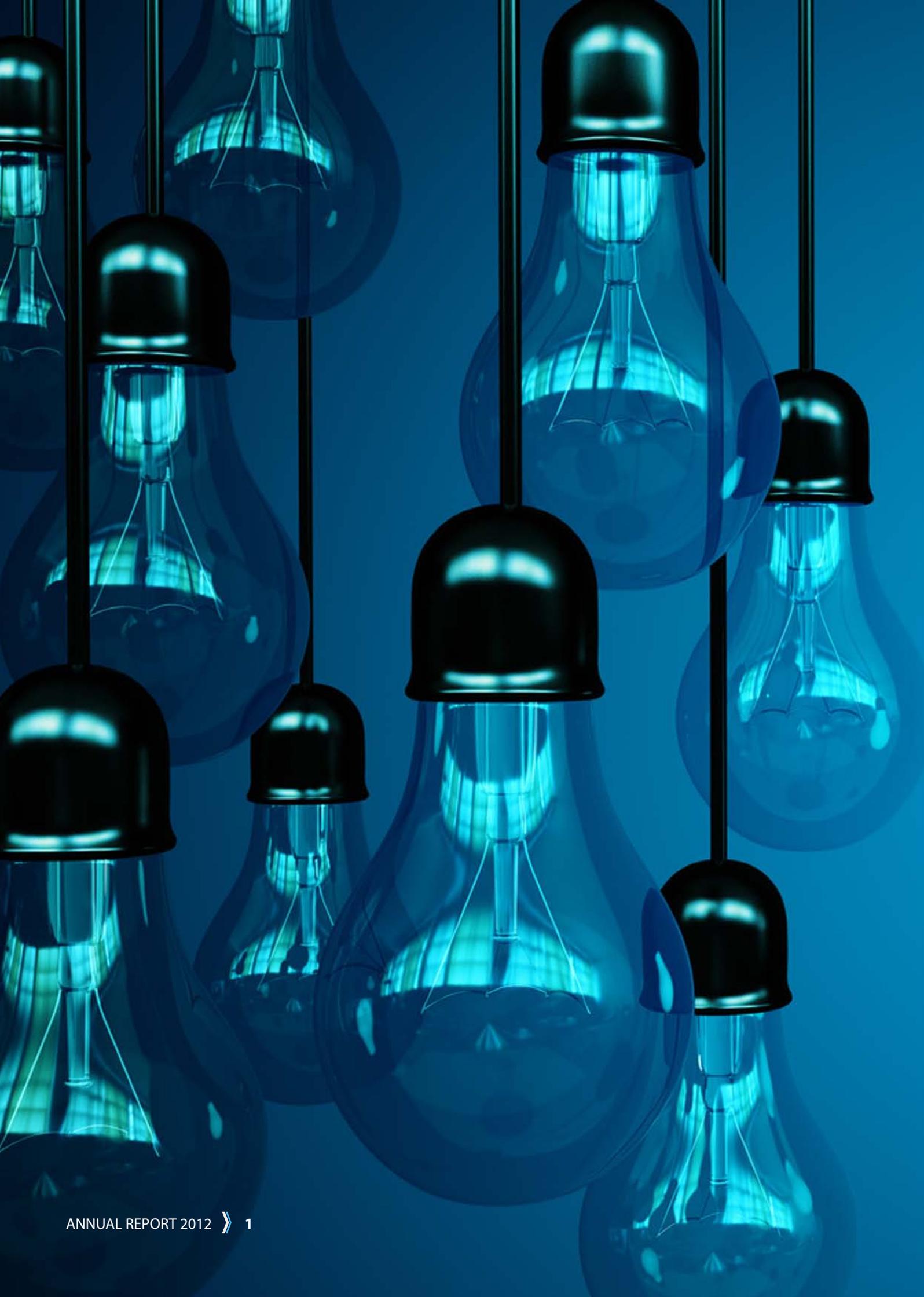




**2012**

**ANNUAL REPORT**

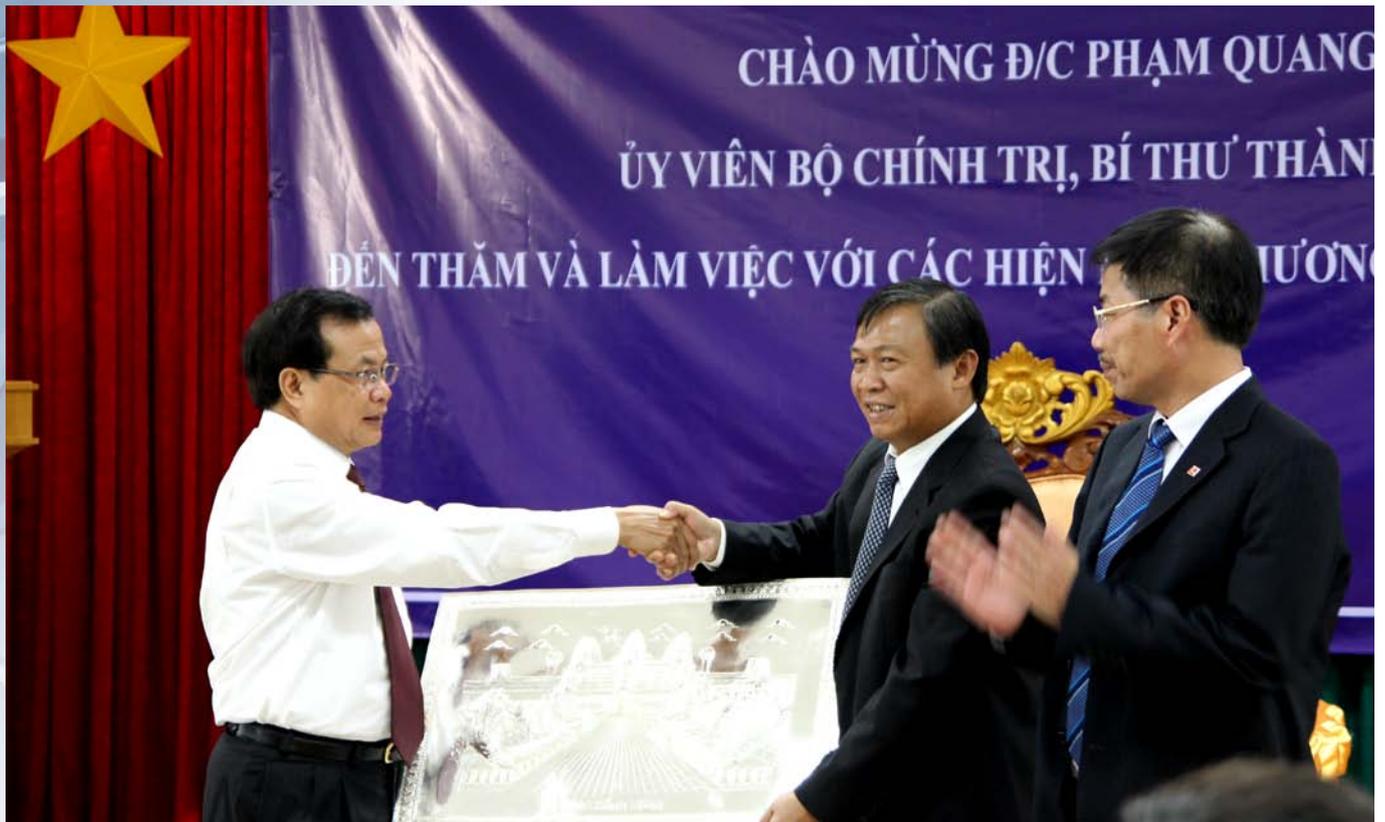




Be your side, by your hand







Based on the guidance and the support of Vietnamese and Cambodian governments, Bank for Investment and Development of Vietnam (BIDV) and Phuong Nam company (both are Vietnamese) has co-founded the Cambodian Investment and Development Co Ltd (IDCC) for the execution of financial, banking and insurance operations... in Cambodia, and the first project is to acquire the Prosperity Investment Bank (PIB), then restructure and rename it to Bank for Investment and Development of Cambodia, which was approved by the Governor of National Bank of Cambodia (NBC) in the Decision No B1.09.554 dated July 15, 2009.

Bank for Investment and Development of Cambodia (BIDC) has officially executed its operations since September 01, 2009 upon the NBC's approval at the Decision No B7.09.148 dated August 14, 2009 on the Bank's rename, charter capital increase and key staff. By founding from repurchase and restructure PIB, BIDC is a banking institution with 100% capital invested by BIDV which is founded and allowed to execute operations in Cambodia market to carry out assigned tasks from the governments of two countries. The Bank is expected to become a connection line between the financial - banking markets of two countries.

According to its memorandum and articles, BIDC is a financial institution which is founded and executed operations pursuant to Cambodian law and regulations of NBC. The professional operations of BIDC are directly supported by BIDV which is an experienced bank with more than 50 years in Vietnamese financial market. The support of BIDV for BIDC is realized in many domains, especially in technology system, professional process and advanced banking products and services with high quality.



Be your side, by your hand



## VISION AND OPERATIONAL TARGETS

Assisting for the execution of the economic development programmes of the Kingdom of Cambodia, connecting between Vietnamese and Cambodian financial markets.

Providing high quality banking products and services including credit, deposit, international settlement, trade finance, card and other products and services for securities market such as Settlement Bank, @Securities, ...

Connecting for the commercial and investment operations of enterprises in two countries, contributing practically to the development of economic cooperation, commercial and investment exchange between two countries.

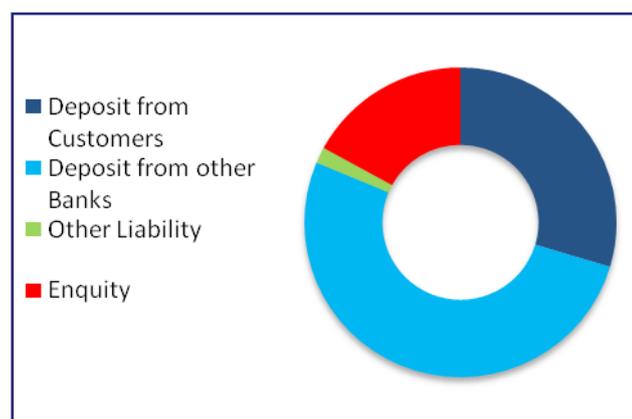
Satisfying financial services and monetary settlement demands of enterprise community and inhabitants of Vietnam and Cambodia; financial supporting, especially middle and long term source of capital for the investment demands of state owned groups and corporations, Vietnamese enterprises in Cambodia and Cambodian enterprises.

Acting as connection line between Cambodian investors and Vietnamese enterprises. Providing multiple services for legal entities of all type of ownership, including foreign entities and individual entities.

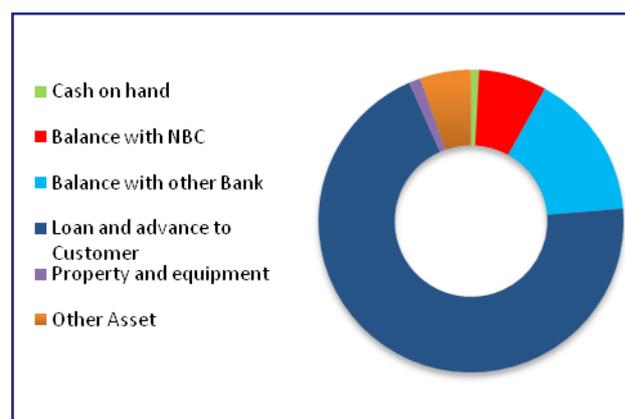
## INCOME STATEMENT IN 2012

Index	Content	2011	2012	Difference (+) or (-)
<b>SCALE ITEMS (000 USD)</b>				
1	Total Asset	444,079	504,687	60,608
2	Loans and advances to Customers	283,798	356,245	72,447
3	Total Liability	369,134	422,309	53,175
4	Deposits from Customers	121,034	151,533	30,499
5	Share capital	70,000	70,000	-
6	Shareholder's equity	74,945	82,378	7,433
<b>EFFICIENCY ITEMS (000 USD)</b>				
1	Profit before tax	6,118	9,908	3,790
2	Income tax expense	1,318	2,254	936
3	Profit after tax	4,800	7,639	2,839
4	Net service revenue	2,674	3,049	375
<b>FINANCIAL RATIO</b>				
1	ROA	1.07%	1.51%	0.44%
2	ROE	6.90%	9.31%	2.41%

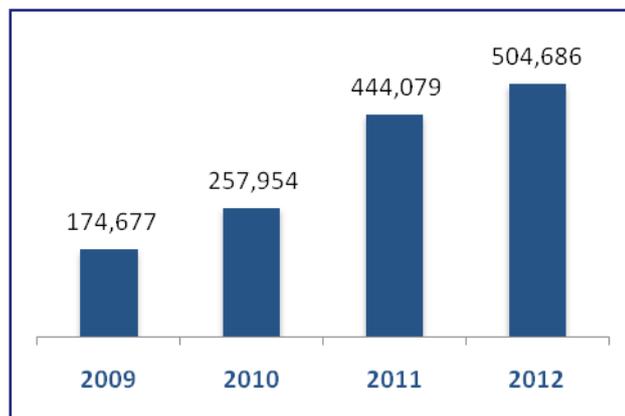
## LIABILITY AND EQUITY



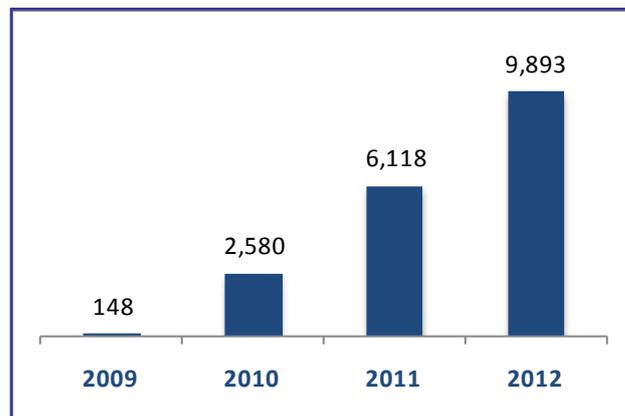
## ASSETS



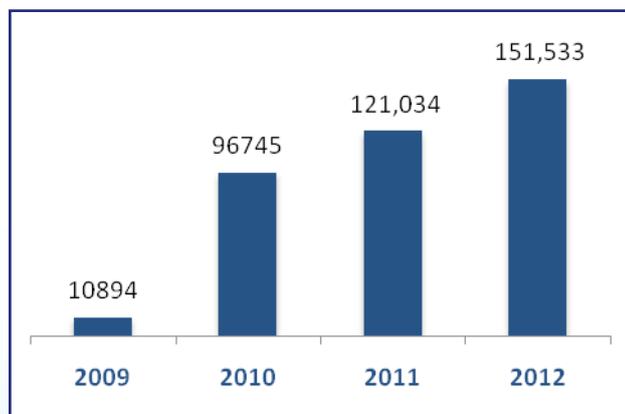
## TOTAL ASSETS



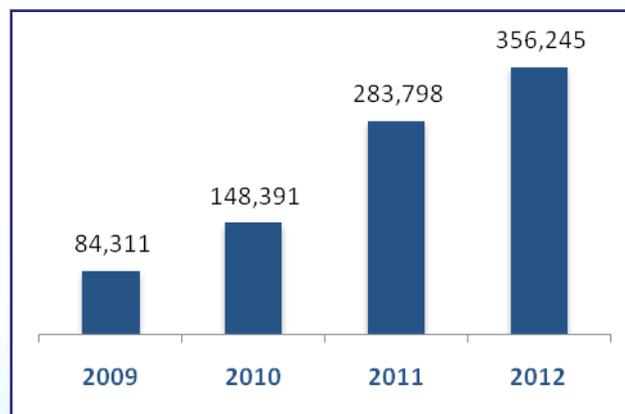
## PROFIT BEFORE TAX



## CUSTOMER DEPOSITS



## LOANS AND ADVANCES







# CONTENTS

## **CORPORATE FRAMEWORK**

- 03 Overview**
- 06 Vision and operational targets**
- 07 Financial highlights in 2012**
- 12 Corporate information**
- 13 Message from the Chairman**
- 17 CEO' report**
- 19 Organization chart**
- 20 Branch network**
- 21 Board of Director**
- 23 Board of management**

## **AUDIT FINANCIAL STATEMENTS**

- 27 Report of the directors**
- 33 Report of the independent auditors**
- 35 Balance sheet**
- 36 Income statement**
- 37 Statement of changes in equity**
- 38 Statement of cash flows**
- 39 Notes to the financial statements**

## **COPORATE CONTACT INFORMATION**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr. Le Dao Nguyen**  
Chairman

**Mr. Pham Van Duong**  
Member of BOD

**Mrs. Le Thanh Van**  
Member of BOD

**Mr. Hoang Van Vinh**  
Vice Chairman

**Mr. Tran Dinh Dinh**  
Member of BOD

**Mrs. Tran Thi Oanh**  
Member of BOD

**Mr. Nguyen Van Hien**  
Member of BOD  
Chief Executive Officer

**Mr. Ngo Duy Chinh**  
Member of BOD

**Mr. Van Dinh Hai**  
Member of BOD

### SENIOR MANAGEMENT TEAM

**Mr. Nguyen Van Hien**  
Chief Executive Officer

**Mrs. Mai Thi Ngoc Ha**  
Senior Executive Vice President

**Mr. MeyPhy**  
Senior Executive Vice President

**Mr. Le Nam Trung**  
Senior Executive Vice President

**Mr. Pham The Nghiem**  
Senior Executive Vice President

**Mr. Pham Hong Nhien**  
Senior Executive Vice President

### REGISTERED OFFICE

#370, Monivong Blvd., SangkatBoengKeng Kang I, Khan Chamkarmorn, Phnom Penh, Cambodia

Tel: +855 23 210 044  
Fax: +855 23 220 511  
Email: info@bidc.com.kh  
Website: www.bidc.com.kh  
Swift: IDBCKHPP

### MAJOR SHARE HOLDER

Cambodia Investment and Development Co.,Ltd (IDCC) – 100% capital

### GOVERNMENT ISSUED IDENTIFICATION NUMBER

No : 19  
Type of description of identification: License to carry out Banking operation

### AUDITORS

KPMG Cambodia Ltd



## **THE ECONOMIC ENVIRONMENT IN 2012**

Year 2012 was visibly marked by the considerable development of the Cambodian economy, with the GDP growth at 7.7%; all three sectors of agriculture, industry and services impressively grew at 4.3%, 9.2%, and 8.1% respectively. Those sectors of agriculture, textiles, construction – real estate and tourism were the main drivers of the development. This positive outcome resulted from three main factors, namely: improving regional integration, Government's efficient policies for development, and favorable changes of international business environment. At the same time, the macroeconomic factors of Cambodia continued to be stably ensured. Throughout the year, the exchange rate did not greatly changed, the Government budget surplus increased to 1.9 % of GDP, the current account deficit decreased – resulting in surplus of the overall balance of payment, the foreign-exchange reserves increased to USD 3.4 billion, the low inflation was remained, the inflow of foreign direct investment (FDI) kept growing and the growth of budget revenue was well achieved.

In such a favorable environment, the banking sector achieved a spectacular progress and became one of the fastest growing sectors of the year. In terms of scale, according to National Bank of Cambodia (NBC), the entire sector in 2012 had achieved a total outstanding loan of USD 5.9 billion and total customer deposit of USD 6.2 billion, increasing by 35.4% and 26.2% year-on-year respectively. Throughout the year, NBC officially launched the national clearing system through an electronic system and a credit information center to facilitate the banking system. The banks themselves also achieved positive development when a large number of them had its capital increased, operation expanded, and new products offered. The year of 2012 also witnessed the strong penetration of foreign banks. However, there were warnings from NBC and international financial institutions on the situation of rapid growth of the sector.



## ACHIEVEMENTS IN 2012

The year of 2012 was of importance to the Bank. This was not only a closing year of the first three-year period entering into Cambodian market but also an impetus for a new development phase of the Bank. Looking back at the results achieved, it can be said that this was a successful year in which both position and strength of the Bank were raised to a new height.

Firstly, success lied in the positive market position of the Bank. Currently, the Bank ranks 5th place among the largest banks in Cambodia in terms of scale with its market share of 6%. In 2012, the Bank was awarded by International Data Group (IDG) associated with NBC as “The Most Outstanding Promising Growth Bank” with an average growth of scale indexes of 46% per year for the period 2009 – 2012, double the average growth rate of the sector. While its scale rapidly grew, quality of the Bank was well secured with the lowest NPL among similar scale commercial banks, and the safety ratios in strict compliance with Cambodian laws and regulations. In addition, business results of the Bank were constantly improved and impressively achieved in 2012.

Secondly, not only the Bank’s market position was affirmed, but its development resource also was constantly reinforced. Business activities of BIDC were diversified while its scale kept expanding. A variety of new types of services was developed on the Bank’s platform of modern information technology (T24) which has been considered as the most modern one in Cambodia. The branch network and distribution channel expanded to all key economic areas in the country; whilst its human resource was steadily enhanced due to a positive working environment and a competitive remuneration system. In addition, the Bank’s image was developed and effectively presented to numerous customers owing to the marketing and advertising efforts. Last but not least, the customer base of BIDC was also remarkably expanded.

In addition to a focus on the domestic market, BIDC also had the best business performance in the Vietnamese market among the leading Cambodian banks operating in this market. Currently, BIDC has two branches operating in Vietnam with a positive business outlook. Its branches network in Cambodia and Vietnam did establish a complete payment system for the investment and trade relations between the two countries. Also, BIDC actively fostered the investment promotion activities between Cambodia and Vietnam.

Not just only succeeded in business, but BIDC also showed its responsibilities to the society through the efficient social welfare programs, which were highly appreciated by the Cambodian Government and ministries. Also, the Bank actively contributed to the development of Cambodia and Cambodian people’s lives through numerous sponsor activities, for example sponsored the Cambodian International Football League (BIDC Cup), assisted Cambodian inhabitants damaged by the floods, etc.

### MISSION OBJECTIVES FOR THE YEAR 2013

Entering 2013, the business environment forecast is generally favorable with the economic growth pace to be continuously maintained. The GDP growth is expected at 7.5% in 2013 and 7.5%-8% in the medium-term. The banking sector continues to be one of the fastest growing sectors due to the lending-deposit growth rate expected at 25-30% and the supporting monetary policy to the economic growth. With the position and strength, BIDC is in the belief that it will successfully transfer from the fast growth strategy to the sustainable one. In order to achieve this goal, BIDC will focus on several key missions as follows, to:

**Firstly**, maintain and strengthen the position as one of the top-five leading banks in Cambodian market in terms of scale, quality and efficiency;

**Secondly**, ensure safety, quality, and efficiency of the business based on the reasonable scale and competitiveness improvement through studying and offering modern banking products and services by existing Corebanking platform;

**Thirdly**, well undertake the role for serving Vietnamese investors into Cambodia and bridging the trade activities payment between the two countries; and thus positively contributing to the development of the Cambodian economy and the social welfare programs implementation;

**Fourthly**, successfully restructure the system in which the business activities would concentrate on the capital, lending and benefit-cost in order to lead the operation of BIDC to the secure and sustainable development, as well as to the operation in strict accordance with the international standards and practices;

**Fifthly**, continue to develop and enhance the quality of human resources through building a positive working environment, attracting high-quality human resources, and offering a competitive remuneration system.

With determination and discipline of all the staffs as well as the innovation and dynamic of the Board of Directors, BIDC has been seriously working to gradually make BIDC become a sustainable development bank with the secure and efficient operation, high responsibility to the society, and positive contributions to the mutual relations between Cambodia and Vietnam.

In conclusion, on behalf of the Board of Directors, I would like to express my gratitude to National Bank of Cambodia, Ministry of Economy and Finance, the general public, customers, shareholders, and business partners for their support, and especially to all BIDC managements and staffs, who have been with us to achieve this success and those greater ones in the future.





- The difficult economic and financial market conditions of 2012 in Vietnam have certain impacts on BIDC activities. However, with attention and guideline of the Executive Board and efforts of its employees, BIDC has strived for excellently fulfilling the assigned operating tasks in 2012, specifically:
  - + Fund raising: increase of 25.20% compared to the year 2011.
  - + Credit outstanding balance: increase of 25.53% compared to the year 2011.
  - + Profit before tax: increase of 61.95% compared to the year 2011.
- BIDC's activities in the past time have obtained high growth rate and complied strictly with the laws and regulations; created prestige and position in the market; built up stable client system and developed strongly; and established transaction relations with clients as large groups and enterprises in Cambodia.
- Besides, BIDC is well undertaking to support for Vietnam's investment projects to Cambodia such as Cho Ray – Phnom Penh Hospital construction project (total investment of 27 million USD); microbial fertilizer plant construction investment project with capacity 350 thousand tons/year (total investment of over 80 million USD); and Cavifood Company; export rice procurement and processing in the Cambodian brand and rubber planting projects of the groups invested in Cambodia.
- BIDC has successfully connected with the Securities Market in Cambodia and provided cash settlement services to 3 securities companies. The securities market has been opened and operated since April 2012 and BIDC has fully met its requirements.

## IT FACILITIES - INFRASTRUCTURE:

- With BIDC's operational scope developed and extended, to meet development demands and to enhance BIDC's position, its Executive Board has moved the head office to another business location at 370 Monivong Blvd., Boeng Keng Kang 1, Chamkarmorn District, Phnom Penh on 13/8/2012. This is a modern and newly built office building (including 10 floors with total floor area of over 5,000m<sup>2</sup> located in the commercial center of Phnom Penh Capital).
- Up to now, core-banking T24 system has been operated stably in Cambodia and Vietnam, connected smoothly and safely, and ensured development and extended BIDC's scope of products.
- On the modern core-banking foundation, in 2012, BIDC deployed and introduced a series of useful products such as BSMS, Internet Banking, POS, new ATM project and fund raising products and etc. In addition, BIDC has deployed and expected to operate Visa payment system in early 2013.

## NETWORK DEVELOPMENT

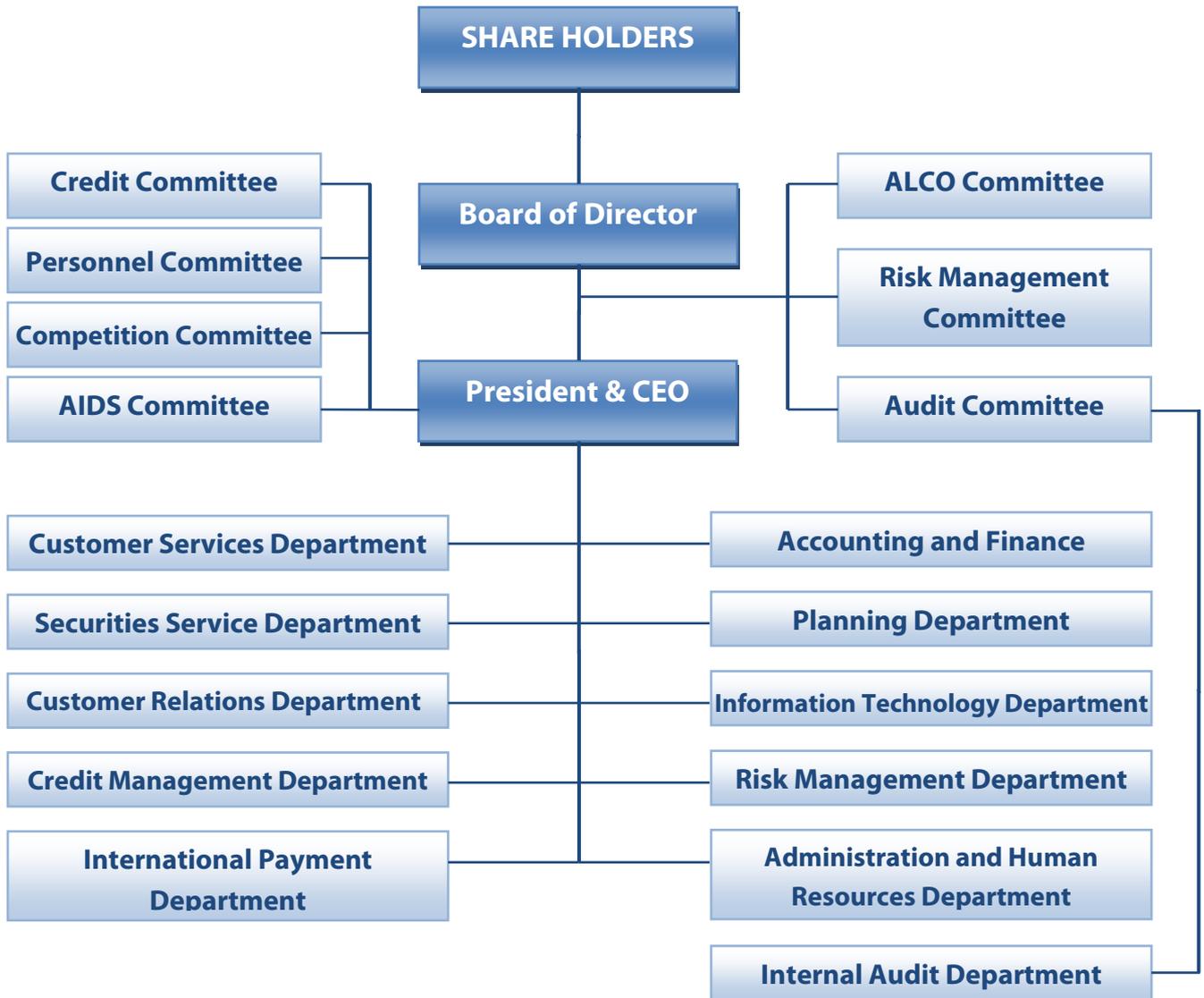
- In 2012, BIDC continued to expand its operational network. After changing address of the head office, in October 2012, BIDC has founded and operated Daun Penh Branch in the old head office. At the same time, BIDC conducted surveys and in November 2012, it operated Bokor Exchange outlet in Kampot province.
- BIDC installed 14 new AMTs and expected to invest and to expand ATM network in 2013 (extra 20 ATMs) and about 200 POSs in Cambodia.

## OPERATIONAL ORIENTATION

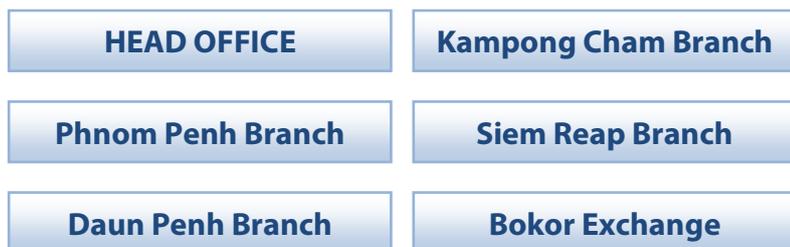
On the basis of results obtained in past time, BIDC shall continue to strive for completing the business plan in 2013, specifically:

- Average growth of total assets: minimum 20%/year; credit outstanding balance: minimum 15%/year; fund raising: 30 - 35%/year; net revenue: 30 - 35%/year; and ROE: 15%.
- BIDC continues to expand operating activities in Cambodia; supports and plays a role as a bridge of investing activities between Vietnam and Cambodia and make active contribution to Cambodia's economic development. In 2013, BIDC shall strive for developing more networks in important areas of Cambodian market.
- BIDC enhances competitive capacity and financial capacity and safe, high - quality and effective operating activities on the basis of the appropriate scope.
- Besides, BIDC continues to actively participate in charitable programs and social responsibility programs to contribute to life improvement for certain people.

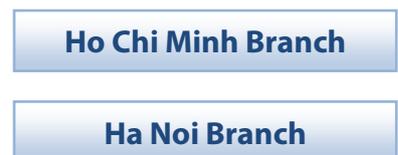
# ORGANIZATION CHART



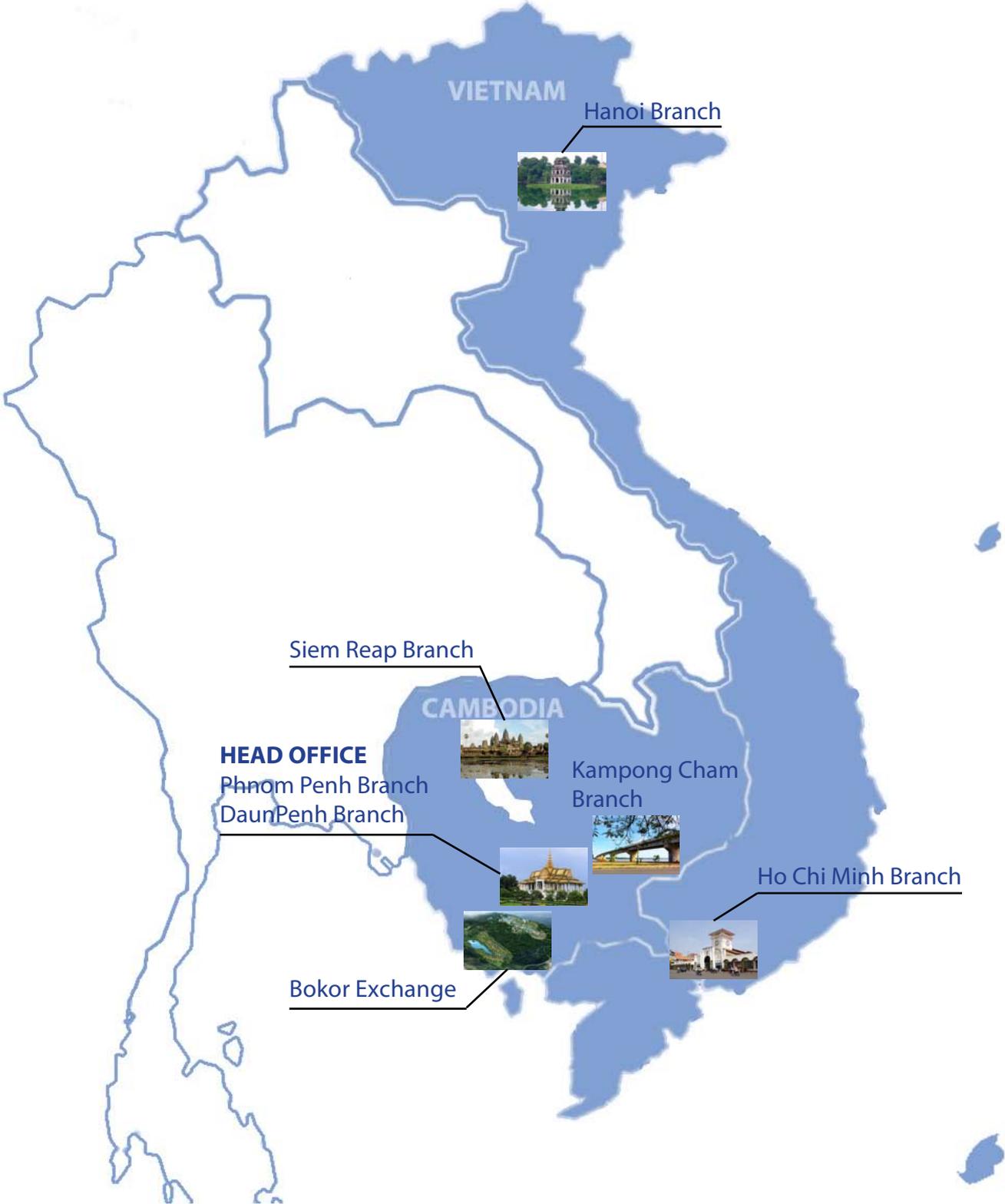
## Cambodia



## Vietnam



# BRANCH NETWORK





**Mr. HOANG VAN VINH**  
*Vice Chairman*

**Born in 1964**

**Education:** Bachelor of Economics  
**Experience:** Member of BOD of BIDC since July, 2010.



**Mr. TRAN DINH DINH**  
*Independent Member of the BOD*

**Born in 1945**

**Education:** Bachelor of Banking and Finance  
**Experience:** 36 years of experience in Banking and Finance sector.

Has been successfully experiencing all major domains and in charge of many key in banking sector namely Senior Executive Vice President of Vietnam Bank for Agriculture and Rural Development.  
Member of BOD of BIDC since August 2009.



**Mr. PHAM VAN DUONG**  
Member of the BOD

**Born in 1972**

**Education:** Bachelor of Business Administration  
**Experience:** Member of BOD of BIDC since August, 2009.



**Ms. LE THANH VAN**  
*Member of the BOD*

**Born in 1978**

**Education:** Bachelor of Economics, Master of Science in Global Economy and International Economic Relation, Master of Science in Banking and Finance

**Experience:** 11 years of experience in Banking and Finance sector. Has been successfully experiencing several operating departments and fields including Investment Committee, Credit Risk Management, Credit Management, Bank Governance, Human Resource, Funding, Financial Intermediaries, and Asset Management  
Member of BOD of BIDC since August 2009.

**Mr. LE DAO NGUYEN**  
**Chairman**

**Born in 1956**

**Education:** Bachelor of Engineering, Post-graduate Diploma in Economics, Master of Business Administration. Certificate in Advanced Business Administration

**Experience:** 30 years of experience in Banking and Finance sector.

Has been successfully experiencing all major domains and in charge of many key positions in banking sector including: Member of BOD of BIDV, Senior Executive Vice President of BIDV, Chairman of BIDV Asset Management Company (BAMC), Chairman of BIDV Financial Investment Company (BFI), Chairman of J.V Lao Viet Bank, Member of the BOD of Vietnam National Financial Switching JSC, BIDV – Vietnam Partners Investment Management Joint-Venture Company (BVIM)... Chairman of BIDC since November 2010.



**Ms. TRAN THI OANH**  
**Independent Member of the BOD**

**Born in 1965**

**Education:** Bachelor of Economics

**Experience:** 25 years of experience in Banking and Finance sector

Has been successfully experiencing several operating departments and fields including Credit Management, Accounting and Finance, and Credit Risk Management  
Member of BOD of BIDC since August 2009.



**Mr. NGUYEN VAN HIEN**  
**Member of the BOD**  
**Chief Executive Officer**

Member of BOD of BIDC since August 2009.



**Mr. NGO DUY CHINH**  
**Member of the BOD**

**Born in 1963**

**Education:** Master of Science in Banking and Finance

**Experience:** Over 25 years of experience in Banking and Finance sector.

Has been successfully experiencing several operating departments and fields, and in charge of several key positions in banking sector including: Director of BIDV HaThanh Branch, Chief Executive Officer of J.V Lao Viet Bank.  
Member of BOD of BIDC since June 2011.



**Mr. VAN DINH HAI**  
**Member of the BOD**

**Born in 1958**

**Education:** Master of Science in Banking and Finance

**Experience:** Over 25 years of experience in Banking and Finance sector.

Has been successfully experiencing several operating departments and fields, and in charge of many key positions in banking sector including Director of BIDV Gia Dinh Branch.  
Member of BOD of BIDC since June 2011.



**Mr. Nguyen Van Hien**  
*Chief Executive Officer*

**Year of birth:** 1961

**Education:** Master of Science in Banking and Finance

**Experience:** He has over 25 year of experience in banking , become the CEO of BIDC in August 2009.

**Mr. Pham Hong Nhien**  
*Senior Executive Vice President*

**Year of birth:** 1970

**Education:** Bachelor of Mathematics

**Experience:** He has 20 year of experience in banking , holding a variety of senior prior to becoming the Senior Executive Vice President of BIDC in September 2012.



**Mr. Mey Phy**  
*Senior Executive Vice President*

**Year of birth:** 1959

**Education:** Master of Laws

**Experience:** He has over 20 year of experience in banking, become the Senior Executive Vice President of BIDC in August 2009.





**Mrs. Mai Thi Ngoc Ha**  
**Senior Executive Vice President**

**Year of birth:** 1963

**Education:** Bachelor of Banking and Finance,  
Bachelor of Engineering

**Experience:** She has over 25 year of experience  
in banking, Become the Senior Executive Vice  
President of BIDC in August 2009.

**Mr. Le Nam Trung**  
**Senior Executive Vice President**

**Year of birth:** 1973

**Education:** Bachelor of Economics

**Experience:** Becoming the Senior Executive Vice  
President of BIDC in October 2010.



**Mr. Pham The Nghiem**  
**Senior Executive Vice President**

**Year of birth:** 1963

**Education:** Bachelor of Banking and Finance

**Experience:** He has over 25 year of experience  
in banking, become the Senior Executive Vice  
President of BIDC in August 2009.



A blue-tinted photograph of a magnifying glass resting on a document. The document has the words "Balance Sheet" printed on it. The magnifying glass is positioned over the text, and its handle extends towards the top right. The background is blurred, showing what appears to be a pen and other documents.

Balance Sheet

**AUDITED**  
*Financial Statements*



*The Directors have pleasure in submitting their report together with the audited financial statements of Bank for Investment and Development of Cambodia Plc (“the Bank” or “BIDC”) for the year ended 31 December 2012.*

## **PRINCIPAL ACTIVITIES**

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

There were no significant changes to these principal activities during the financial year.

## **FINANCIAL RESULTS**

The financial results of the Bank for the year ended 31 December 2012 were as follows:

	2012		2011
	US\$	KHR'000	US\$
<b>Profit before income tax</b>	<b>9,893,116</b>	<b>39,523,000</b>	<b>6,117,581</b>
Income tax expense	(2,254,398)	(9,006,320)	(1,317,778)
<b>Net profit for the year</b>	<b>7,638,718</b>	<b>30,516,680</b>	<b>4,799,803</b>



## **DIVIDENDS**

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under review.

## **RESERVES AND PROVISIONS**

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

## **SHARE CAPITAL**

There were no changes in the registered and issued share capital of the Bank for the year under review.

## **BAD AND DOUBTFUL LOANS AND ADVANCES**

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance 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 allowance for doubtful loans and advances in the financial statements of the Bank, inadequate to any substantial extent.

## **CURRENT ASSETS**

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had 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 current assets in the financial statements of the Bank misleading.

## **VALUATION METHODS**

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

## **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) Any 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, or
- (b) Any 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 substantially affect the ability of the Bank to meet its obligations as and when they fall due.

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

There is no significant event occurring after the balance sheet date, which requires disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

## **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.

## **ITEMS OF UNUSUAL NATURE**

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, 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 Bank for the current financial year in which this report is made.

## DIRECTORS

*The Directors who served since the date of the last report are:*

Name	Position
Mr. Le Dao Nguyen	Chairman
Mr. Hoang Van Vinh	Vice Chairman
Mr. Nguyen Van Hien	Member
Mr. Pham Van Duong	Member
Mrs. Le Thanh Van	Member
Mr. Tran Dinh Dinh	Member
Mrs. Tran Thi Oanh	Member
Mr. Ngo Duy Chinh	Member
Mr. Van Dinh Hai	Member

## DIRECTORS' INTERESTS

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling the 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.

During the financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation 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 as disclosed in the financial statements.

**DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012 and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

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

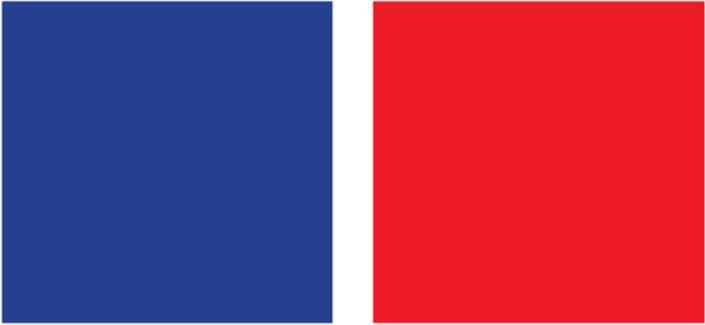
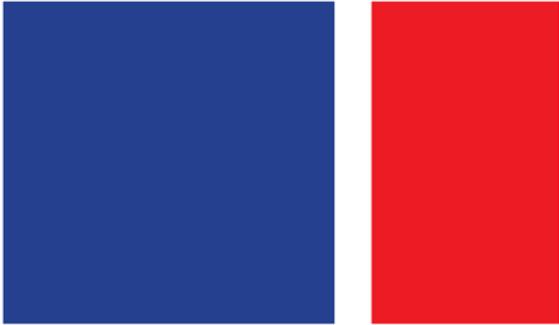
The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

*Signed in accordance with a resolution of the Board of Directors,*

Mr. Nguyen Van Hien  
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date:



### **To: The shareholder of Bank for Investment and Development of Cambodia Plc**

We have audited the accompanying financial statements of Bank for Investment and Development of Cambodia Plc (“the Bank”), which comprise the balance sheet as at 31 December 2012, and the income statement, statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 52.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, 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 of 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 our 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, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting principles 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.



## BALANCE SHEET

as at 31 December 2012

	Note	31 December 2012		31 December 2011
		US\$	KHR'000 (Note 4)	US\$
<b>ASSETS</b>				
Cash on hand	5	4,310,550	17,220,647	6,302,419
Deposits with National Bank of Cambodia	6	36,985,403	147,756,685	35,248,740
Placements with and loans to other financial institutions	7	79,528,876	317,717,860	76,323,484
Loans and advances to customers	8	351,877,084	1,405,748,950	281,306,111
Other assets	9	13,469,965	53,812,511	26,560,669
Investments	10	11,606,439	46,367,724	11,577,458
Property and equipment	11	4,545,677	18,159,979	4,059,245
Intangible assets	12	2,362,839	9,439,542	2,700,957
<b>TOTAL ASSETS</b>		<b>504,686,833</b>	<b>2,016,223,898</b>	<b>444,079,083</b>
<b>LIABILITIES</b>				
Deposits from other financial institutions	13	273,030,144	1,090,755,425	251,822,352
Deposits from customers	14	142,925,651	570,987,977	112,743,797
Income tax payable	15	1,504,190	6,009,239	989,444
Other liabilities	16	4,848,613	19,370,208	3,578,879
<b>TOTAL LIABILITIES</b>		<b>422,308,598</b>	<b>1,687,122,849</b>	<b>369,134,472</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	17	70,000,000	279,650,000	70,000,000
General reserves		854,675	3,414,426	161,256
Foreign exchange translation reserve		-	-	(16,448)
Retained earnings		11,523,560	46,036,622	4,799,803
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>82,378,235</b>	<b>329,101,048</b>	<b>74,944,611</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>504,686,833</b>	<b>2,016,223,898</b>	<b>444,079,083</b>

## INCOME STATEMENT

for the year ended 31 December 2012

	Note	2012		2011
		US\$	KHR'000 (Note 4)	US\$
Interest income	18	35,071,474	140,110,539	27,621,555
Interest expense	19	(19,668,711)	(78,576,500)	(18,581,462)
<b>Net interest income</b>		<b>15,402,763</b>	<b>61,534,039</b>	<b>9,040,093</b>
Fee and commission income	20	3,245,206	12,964,598	2,989,123
Fee and commission expense		(337,575)	(1,348,612)	(259,117)
<b>Net fee and commission income</b>		<b>2,907,631</b>	<b>11,615,986</b>	<b>2,730,006</b>
Income from investment		1,775,975	7,095,020	1,572,584
Other operating income		188,882	754,584	218,693
<b>NET OPERATING INCOME</b>		<b>20,275,251</b>	<b>80,999,629</b>	<b>13,561,376</b>
General and administrative expenses	21	(8,217,705)	(32,829,731)	(6,152,505)
Allowance for bad and doubtful loans and advances	7 & 8	(2,164,430)	(8,646,898)	(1,286,026)
Allowance for off balance sheet commitment		-	-	(5,264)
<b>PROFIT BEFORE INCOME TAX</b>		<b>9,893,116</b>	<b>39,523,000</b>	<b>6,117,581</b>
Income tax expense	15	(2,254,398)	(9,006,320)	(1,317,778)
<b>NET PROFIT FOR THE YEAR</b>		<b>7,638,718</b>	<b>30,516,680</b>	<b>4,799,803</b>

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2012

	Share capital US\$	Foreign exchange translation reserve US\$	General reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2011	70,000,000	(29,849)	-	2,082,019	72,052,170
Appropriation to reserves	-	-	161,256	(161,256)	-
Transfer profit to parent Company	-	-	-	(1,789,084)	(1,789,084)
Net profit for the year	-	-	-	4,799,803	4,799,803
Foreign currency translation differences	-	13,401	-	(131,679)	(118,278)
<b>Balance as at 31 December 2011</b>	<b>70,000,000</b>	<b>(16,448)</b>	<b>161,256</b>	<b>4,799,803</b>	<b>74,944,611</b>
Appropriation to reserves	-	-	693,419	693,419	-
Appropriation to bonus and welfare funds	-	-	-	(205,192)	(205,192)
Net profit for the year	-	-	-	7,638,718	7,638,718
Foreign currency translation differences	-	16,448	-	(16,350)	98
<b>Balance as at 31 December 2012</b>	<b>70,000,000</b>	<b>-</b>	<b>854,675</b>	<b>11,523,560</b>	<b>82,378,235</b>
<b>(KHR'000 equivalents)</b>	<b>279,650,000</b>	<b>-</b>	<b>3,414,426</b>	<b>46,036,622</b>	<b>329,101,049</b>

## STATEMENT OF CASH FLOWS

### for the year ended 31 December 2012

	Note	2012		2011
		US\$	KHR'000 (Note 4)	US\$
<b>Cash flows from operating activities</b>				
Net cash (used in )/generated from operating activities	22	(30,964,399)	(123,702,774)	38,357,467
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment and equipment and intangible assets		(373,675)	(1,492,831)	(1,149,696)
Payments for construction in progress		(725,439)	(2,898,129)	(1,856,392)
Sale/purchase of investments in stocks		450,000	1,797,750	(320,000)
Interest received from bonds investment		1,296,994	5,181,491	1,489,844
<b>Net cash generated from/(used in) investing activities</b>		<b>647,880</b>	<b>2,588,281</b>	<b>(1,836,244)</b>
<b>Cash flows from financing activities</b>				
Dividend paid		-	-	(1,789,084)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>	<b>(1,789,084)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(30,316,519)</b>	<b>(121,114,493)</b>	<b>34,732,139</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>101,401,891</b>	<b>405,100,554</b>	<b>66,669,752</b>
<b>Cash and cash equivalents at end of year</b>	23	<b>71,085,372</b>	<b>283,986,061</b>	<b>101,401,891</b>

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. REPORTING ENTITY

Bank for Investment and Development of Cambodia Plc (“BIDC” or “the Bank”) was incorporated under registration number Co 6101E/2009 from the Ministry of Commerce and in accordance with Decision No. B1-09-554 dated 15 July 2009 by the National Bank of Cambodia (“the NBC”) effective from 1 August 2009. The Bank is a wholly owned subsidiary of Cambodian Investment and Development Co Ltd. (“IDCC”), a company incorporated in Cambodia. The ultimate parent company of BIDC is International Investment and Development Company Limited (“IIDC”), an investment company incorporated in Vietnam.

BIDC is a bank operating pursuant to the laws and regulations of the NBC. The Bank’s operations are directly supported by BIDV, which is one of the biggest banks in Vietnam serving the market in Vietnam for more than 50 years. The support from BIDV includes development and improvement of technology system, systems and processes and provision of advanced banking products and high quality services.

The principal activity of the Bank is the provision of comprehensive banking and related financial services in Cambodia and Vietnam.

The head office of the Bank is located at No. 23, Kramuon Sar Street (114 Corner 67), Phsar Thmey 2, Khan Daun Penh, Phnom Penh, Cambodia. The Cambodia operations comprise three branches (Phnom Penh, Siem Reap and Kampong Cham) while the Vietnam operations comprise two branches (Ho Chi Minh City and Hanoi).

As at 31 December 2012, the Bank had totally 271 employees (2011: 213 employees) which comprised of 173 employees in Cambodia, 52 employees in Ho Chi Minh Branch and 46 employees in Ha Noi Branch.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

The financial statements of the Bank were approved and authorised for issue by the Board of Directors on 27 March 2013.

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.



### 2.3 Basis of aggregation

The Bank's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

### 2.4 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However as the Bank transacts its business and maintains its accounting records primarily in United States Dollars ("US\$"), management have determined the US\$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

#### Foreign operations

The assets and liabilities of foreign operations are translated into US\$ at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into US\$ at average rate.

Foreign currency differences on the translation of foreign operations are recognised directly in equity under the currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised directly in the currency translation reserve.

### 2.5 Segment information

The Bank operates within two geographical segments, the Kingdom of Cambodia and the Socialist Republic of Vietnam.

Segment information is presented in respect of the Bank's business segments only. The primary format and business segments are based on internal management reports, which are used by senior management for decision making and performance management. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated upon consolidation. All inter-segment transactions are conducted on an arm's length basis on normal commercial terms that are not more favourable than those generally available to the public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## **2. BASIS OF PREPARATION (continued)**

### **2.6 Use of estimates and judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key accounting estimates and judgements applied in the preparation of the financial statements include estimates of recoverable amount for loans and advances which have a separate accounting policy stated in Note 3(f).

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **3.1 Foreign currency transactions**

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

### **3.2 Financial instruments**

The Bank's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

### **3.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

### **3.4 Deposits and placements with banks**

Deposits and placements with banks are stated at cost.

### 3.5 Loans and advances

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

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

### 3.6 Allowance for bad and doubtful loans and advances

In compliance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Provision</i>
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 90 days	3%
Substandard	≥ 90 days – 180 days	20%
Doubtful	≥ 180 days – 360 days	50%
Loss	≥ 360 days	100%

The minimum percentage of allowance for doubtful loans and advances are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

Recoveries on loans previously written off and reversals of previous impairment are disclosed separately together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.7 Other assets**

Other assets are carried at estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

#### **3.8 Investments**

##### **3.8.1 Investment in stocks**

Investments in stocks are stated at cost less any impairment allowance to recognise non-temporary declines in the value of the investment.

##### **3.8.2 Investments securities**

Investment securities are classified as available-for-sale investment securities. The Brank classifies investment securities at the purchase date.

Available-for-sale investment securities are debt securities or equity securities, which are acquired for an indefinite period and may be sold at any time. Available-for-sale investment securities are stated at the cost of acquisition. They are subsequently measured at the lower of cost and market value. Premiums and discounts arising from purchases of debt securities are amortised to the statement of income using straight-line method over the period from the acquisition dates to maturity dates.

#### **3.9 Property and equipment**

##### **3.9.1 Recognition and measurement**

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Construction in progress includes cost of construction, equipment and other direct costs.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other income" in the income statement.

### 3.9.2 Subsequent costs

The costs of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

### 3.9.3 Depreciation

Depreciation is recognised in the income statement on a declining basis over the estimated useful lives of the individual assets at the following rates:

Furniture, fixtures and equipment	25%
Information Technology (IT) equipment	50%
Motor vehicles	25%

Buildings and leasehold improvements are depreciated on a straight-line basis over 20 years.

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated items of property and equipment are retained in the financial statements until disposed or written off.

### 3.10 Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less amortisation and impairment losses. Software costs are amortised over the expected useful lives of 10 years or 10% per annum.

### 3.11 Impairment of assets

#### 3.11.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(f).

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont)**

#### **3.11 Intangible assets (cont)**

##### **3.11.1 Financial assets (cont)**

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

##### **3.11.2 Non-financial assets**

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

#### **3.12 Deposits from customers and other financial institutions**

Deposits from customers and other financial institutions are stated at placement value.

### 3.13 Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### 3.14 General reserves

#### Cambodian operations

General reserves are for specific purposes and distributed from net profit after tax at prescribed rates as below:

- Capital reserve: 5% of net profit after netting off with any losses in the previous years.
- Financial provision reserve: 10% of remaining profit after capital reserve and does not exceed 25% of the Bank registered share capital.
- Bonus and welfare funds : 5% of remaining profit after capital and financial provision reserve and are to be made upon the decisions of General Shareholder's Meeting.

Capital reserve and financial provision reserves are classified as equity. Bonus and welfare funds are classified as liabilities.

The appropriations to general reserves are made in accordance with the decisions of the General Shareholder's Meeting.

#### Vietnam operations

According to Decree No. 57/2012/ND-CP dated 20 July 2012 issued by the Government of Vietnam, banks are required to make the following allocations before distribution of profits:

	<b>Annual allocation</b>	<b>Maximum balance</b>
Reserve to supplement allocated capital:	5% of profit after tax	Contributed capital
Financial reserve:	10% of profit after tax	25% contributed capital

The purpose of the financial reserve is to cover losses incurred during the normal course of business. This reserve together with the reserve to supplement allocated capital is required by law and is non-distributable.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.15 Income recognition**

Interest income on performing loans and advances, and deposits and placements with banks are recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Income from various activities of the Bank is accrued using the following bases:

- (1) Loan arrangement fee and commission on services and facilities extended to customers are recognised on the occurrence of such transactions.
- (2) Commitment fees and guarantee fees on services and facilities extended to customers are recognised as income over the period in which the service and facilities are extended.
- (3) Service charges and processing fees are recognised when service is provided;
- (4) Dividend income is recognised when the Bank's right to receive the payment is established.

#### **3.16 Interest expense**

Interest expense on deposits and borrowings are recognised on a daily accrual basis.

#### **3.17 Leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.



### 3.18 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.19 Related parties

Parties are considered to be related if the Bank 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 Bank 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.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therein, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Bank.

#### 4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official average exchange rate of US\$1 to KHR3,995 published by the NBC on 31 December 2012. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

#### 5. CASH ON HAND

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
United States Dollars	3,778,842	15,096,474	5,948,031
Khmer Riel	433,257	1,730,862	9,094
Other currencies	98,451	393,311	345,294
	<b>4,310,550</b>	<b>17,220,647</b>	<b>6,302,419</b>

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

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
<b>Current accounts</b>			
United States Dollars	16,250,247	64,919,737	18,857,984
Khmer Riel	1,064,594	4,253,053	638,190
	<b>17,314,841</b>	<b>69,172,790</b>	<b>19,496,174</b>
<b>Statutory deposits</b>			
Capital guarantee deposit – US\$	2,000,000	7,990,000	2,000,000
Reserve requirement – KHR	179,602	717,510	15,006
Reserve requirement – US\$	17,490,960	69,876,385	13,737,560
	<b>19,670,562</b>	<b>78,583,895</b>	<b>15,752,566</b>
	<b>36,985,403</b>	<b>147,756,685</b>	<b>35,248,740</b>

## 6.1 Capital guarantee deposit

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on bank's capital guarantee dated 15 October 2001. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is not available for use in the Bank's day-to-day operations but is refundable only when the Bank ceases its operations in Cambodia. The interest earns at 1/4 SIBOR (six months).

Pursuant to letter No. 957/2010-BIDC dated 12 November 2010 regarding request for reduction of capital guarantee deposit from BIDC and Reply Letter No. 7-10-209 from NBC dated 26 November 2010, NBC agreed to reduce the statutory deposit of BIDC to US\$2,000,000. In case there is an increase in risk during operation, NBC may request BIDC to raise this deposit as required by regulation.

## 6.2 Reserve requirements

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-09-020 dated 26 January 2009 at the rates of 8% of customers' deposits in KHR and 12.50% in currency other than KHR. The 4% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 SIBOR (one month) while the remaining 8% and the statutory deposit on customers' deposits in KHR do not earn interest.

## 7. PLACEMENTS WITH AND LOANS TO OTHER FINANCIAL INSTITUTIONS

		31 December 2012	31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Local financial institutions	548,320	2,190,538	5,805,498
Overseas financial institutions	79,238,911	316,559,449	70,517,986
Less: Allowance for bad and doubtful loans	(258,355)	(1,032,127)	-
	<b>79,528,876</b>	<b>317,717,860</b>	<b>76,323,484</b>

**7. PLACEMENTS WITH AND LOANS TO OTHER FINANCIAL INSTITUTIONS (Cont)**

*The placements with and loans to other financial institutions are analysed as follows*

		31 December 2012		31 December 2011
		US\$	KHR'000 (Note 4)	US\$
<b>By maturity:</b>	Less than 3 months	49,459,981	197,592,624	75,603,298
	More than 3 months	30,068,895	120,125,236	720,186
		<b>79,528,876</b>	<b>317,717,860</b>	<b>76,323,484</b>
<b>By currency:</b>	US Dollars	79,325,891	316,906,935	67,952,897
	Khmer Riel	12,384	49,474	1,536
	Others	190,601	761,451	8,369,051
		<b>79,528,876</b>	<b>317,717,860</b>	<b>76,323,484</b>
<b>By interest rate (per annum):</b>	Local banks		0.10% - 2.40%	0.10% - 2.40%
	Overseas banks		0.10% - 2.40%	0.10% - 2.40%

**8. LOANS AND ADVANCES TO CUSTOMERS**

		31 December 2012		31 December 2011
		US\$	KHR'000 (Note 4)	US\$
	Term loans	185,005,550	739,097,172	189,740,423
	Overdrafts	88,262,232	352,607,617	55,090,771
	Credit facilities	82,977,221	331,493,998	38,966,419
	<b>Total loans - gross</b>	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>
	Allowance for bad and doubtful loans and advances	(4,367,919)	(17,449,837)	(2,491,502)
	<b>Loans and advances to customers - net</b>	<b>351,877,084</b>	<b>1,405,748,950</b>	<b>281,306,111</b>

## 8. LOANS AND ADVANCES TO CUSTOMERS (cont)

Movements of allowance for bad and doubtful loans and advances are summarised below:

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Balance as at 1 January	2,491,502	9,953,550	1,252,752
Addition during the year	1,906,075	7,614,770	1,286,026
Exchange differences	(29,658)	(118,483)	(47,276)
<b>Balance as at 31 December</b>	<b>4,367,919</b>	<b>17,449,837</b>	<b>2,491,502</b>

(a) Analysis of loans and advances by maturity is as follows:

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Within 1 month	37,223,016	148,705,949	18,895,368
2 to 3 months	65,655,059	262,291,961	32,812,951
4 to 6 months	84,022,162	335,668,537	66,138,254
7 to 12 months	65,321,446	260,959,177	63,279,487
1 to 5 years	35,725,403	142,722,985	64,465,240
Over 5 years	68,297,917	272,850,178	38,206,313
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>

**8. LOANS AND ADVANCES TO CUSTOMERS (cont)**

(b) *The loan portfolio is graded as follows:*

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
<b>Normal loans</b>			
Secured	268,601,697	1,073,063,779	231,099,398
Unsecured	80,359,384	321,035,739	50,816,549
<b>Special mention loans</b>			
Secured	2,341,663	9,354,944	1,792,459
Unsecured	2,950,595	11,787,627	-
<b>Substandard loans</b>			
Secured	379,297	1,515,292	89,207
Unsecured	-	-	-
<b>Doubtful</b>			
Secured	1,444,361	5,770,222	-
Unsecured	-	-	-
<b>Loss loans</b>			
Secured	168,006	671,184	-
Unsecured	-	-	-
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>

(c) *Analysis of loans and advances by type of loans is as follows:*

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Commercial loans	313,353,764	1,251,848,287	263,362,803
Consumer loans	42,891,239	171,350,500	20,434,810
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>

## 8. LOANS AND ADVANCES TO CUSTOMERS (cont)

(d) Analysis of loans and advances by industrial sectors is as follows:

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Wholesale and retail	144,202,355	576,088,408	76,495,730
Manufacturing	49,191,677	196,520,750	53,253,964
Agriculture	38,940,706	155,568,120	32,100,711
Real estate	-	-	13,809,176
Transportation, storage and communication	10,988,788	43,900,208	19,777,445
Construction	30,986,688	123,791,819	30,217,034
Consumer items	42,891,239	171,350,500	20,434,810
Others	39,043,550	155,978,982	37,708,743
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>

(e) Analysis of loans and advances by currency is as follows:

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
United States Dollars	267,126,490	1,067,170,328	283,797,613
Other currencies	89,118,513	356,028,459	-
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>

**8. LOANS AND ADVANCES TO CUSTOMERS (cont)**

(f) Analysis of loans and advances by residency, relationship and exposures are as follows:

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
<b>Residence status</b>			
Residents	233,965,121	934,690,658	166,014,087
Non-residents	122,279,882	488,508,129	117,783,526
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>
<b>Relationship</b>			
Related parties	2,811,240	11,230,904	115,940
Non-related parties	353,433,763	1,411,967,883	283,681,673
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>
<b>Exposure</b>			
Large	129,336,643	516,699,889	114,563,459
Non-large	226,908,360	906,498,898	169,234,154
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

(g) By interest rates (per annum):

	31 December 2012	31 December 2011
<b>Term loans/overdrafts</b>	<b>3.00% - 11.00%</b>	<b>3.00% - 11.00%</b>



## 9. OTHER ASSETS

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Interest receivable	4,939,255	19,732,324	2,639,097
Advances (*)	4,403,719	17,592,857	17,035
Deferred expenses	-	-	384,458
Deposits to BIDV Securities Company	-	-	20,645,285
Entrusted investment	-	-	2,621,711
Others	4,126,991	16,487,330	253,083
	<b>13,469,965</b>	<b>53,812,511</b>	<b>26,560,669</b>

(\*) Included in these advances is an amount of US\$4,000,000 representing advance payments made to IDCC which are interest free and have no fixed term of repayment.



## 10. INVESTMENTS

		31 December 2012		31 December 2011
		US\$	KHR'000 (Note 4)	US\$
Investment in bonds	(a)	10,081,439	40,275,349	9,602,458
Investment in equity	(b)	1,525,000	6,092,375	1,975,000
		<b>11,606,439</b>	<b>46,367,724</b>	<b>11,577,458</b>

### 10.1 Investments in bonds

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Bonds issued by Tai Nguyen Construction Manufacture-Trade Co., Ltd (*)	9,602,458	38,361,820	9,602,458
Foreign Government Obligation-AFS (**)	478,981	1,913,530	-
	<b>10,081,439</b>	<b>40,275,349</b>	<b>9,602,458</b>



## 10.1 Investments in bonds (cont)

(\*) Corporate bonds issued by Tai Nguyen Construction Manufacture-Trade Co., Ltd have a term of 3 years, to finance for project of Phuoc Nguyen Hung apartment construction (Kenton Residences) at Phuoc Kien Ward, Nha Be District, Ho Chi Minh City and city complex center at Phuoc My Ward, District 7, Ho Chi Minh City. Interest rate of 16% per annum was applied in the first year and subsequently of average interest rate of twelve-month deposits in VND paid in arrears, which are quoted by four banks namely Bank for Investment and Development of Vietnam (Transaction Center II), Vietnam Bank for Agriculture and Rural Development (Saigon Branch), Vietnam Joint Stock Commercial Bank for Industry and Trade (Ho Chi Minh City Branch) and Joint Stock Commercial Bank for Foreign Trade of Vietnam plus 4.5% per annum. The interest is paid annually. These bonds were secured by Bank of Investment and Development of Vietnam for both principal and interest settlement.

(\*\*) The remaining terms and interest rate of available for sale debt securities as at year end were as follows:

31 December 2012		
	Term	Interest rate
<b>Available for sale securities</b> <b>Government bond in VNH</b>	<b>3 years</b>	<b>9.60%</b>

**10.2 Investments in equities**

	31 December 2012			31 December 2011	
	% owned by the Bank	US\$	KHR'000 (Note 4)	% owned by the Bank	US\$
Unquoted shares:					
Cambodia - Vietnam Securities Plc.	15	1,500,000	5,992,500	15	1,500,000
Credit Bureau (Cambodia) Co., Ltd	5	25,000	99,875	5	25,000
Allumina Joint Venture Company	1	-	-	1	450,000
		<b>1,525,000</b>	<b>6,092,375</b>		<b>1,975,000</b>

**11. PROPERTY AND EQUIPMENT**

*Property and equipment comprises of:*

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Construction in progress	597,722	2,387,899	939,629
Property and equipment	3,947,955	15,772,080	3,119,616
	<b>4,545,677</b>	<b>18,159,979</b>	<b>4,059,245</b>



## 11.1 Construction in progress

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
At 1 January	939,629	3,753,817	1,941,868
Additions	725,439	2,898,129	1,856,392
<b>Transactions during the year</b>			
Transfer to buildings and leasehold improvement	(657,146)	(2,625,298)	(448,270)
Transfer to IT equipment	(159,457)	(637,031)	(77,152)
Transfer to furniture, fixtures and equipment	(244,563)	(977,029)	-
Transfer to computer software	(6,180)	(24,689)	(2,333,429)
	(1,067,346)	(4,264,047)	(2,858,851)
Exchange differences	-	-	220
<b>At 31 December</b>	<b>597,722</b>	<b>2,387,899</b>	<b>939,629</b>



## 11. PROPERTY AND EQUIPMENT (continued)

### 11.2 Property and equipment

	2012					Total KHR'000 (Note 4)
	Buildings and leasehold improvement US\$	Furniture, fixtures and equipment US\$	IT equipment US\$	Motor vehicles US\$		
<b>Cost</b>						
At 1 January 2012	1,858,077	1,067,605	1,154,114	497,191	4,576,987	18,285,063
Additions	33,112	122,740	104,063	112,822	372,737	1,489,084
Transfers from construction in progress	657,146	244,563	159,457	-	1,061,166	4,239,358
At 31 December 2012	<b>2,548,335</b>	<b>1,434,908</b>	<b>1,417,634</b>	<b>610,013</b>	<b>6,010,890</b>	<b>24,013,505</b>
<b>Less: Accumulated depreciation</b>						
At 1 January 2012	126,919	458,426	725,800	146,226	1,457,371	5,822,197
Charges for the year	128,862	205,336	198,094	73,272	605,564	2,419,228
At 31 December 2012	<b>255,781</b>	<b>663,762</b>	<b>923,894</b>	<b>219,498</b>	<b>2,062,935</b>	<b>8,241,425</b>
<b>Carrying amounts</b>						
At 1 January 2012	1,731,158	609,179	428,314	350,965	3,119,616	12,462,866
At 31 December 2012	<b>2,292,554</b>	<b>771,146</b>	<b>493,740</b>	<b>390,515</b>	<b>3,947,955</b>	<b>15,772,080</b>

## 11. PROPERTY AND EQUIPMENT (continued)

### 11.2 Property and equipment (continued)

	2011				
	<i>Buildings and leasehold improvement</i>	<i>Furniture, fixtures and equipment</i>	<i>IT equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	US\$	US\$	US\$	US\$	US\$
<b>Cost</b>					
At 1 January 2011	980,388	835,531	957,367	382,884	3,156,170
Additions	429,419	232,074	119,595	114,307	895,395
Transfers from construction in progress	448,270	-	77,152	-	525,422
At 31 December 2011	<b>1,858,077</b>	<b>1,067,605</b>	<b>1,154,114</b>	<b>497,191</b>	<b>4,576,987</b>
<b>Less: Accumulated depreciation</b>					
At 1 January 2011	55,263	279,328	301,096	55,710	691,399
Charges for the year	71,656	147,359	430,855	72,718	722,588
Foreign exchange difference	-	31,739	(6,151)	17,798	43,386
At 31 December 2011	<b>126,919</b>	<b>458,426</b>	<b>725,800</b>	<b>146,226</b>	<b>1,457,371</b>
<b>Carrying amounts</b>					
At 1 January 2011	925,125	556,203	656,271	327,174	2,464,771
At 31 December 2011	<b>1,731,158</b>	<b>609,179</b>	<b>428,314</b>	<b>350,965</b>	<b>3,119,616</b>

## 12. INTANGIBLE ASSETS

### *Computer Software*

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
<b>Cost</b>			
At 1 January	3,150,721	12,587,131	562,991
Additions	938	3,747	254,301
Transfer from construction in progress	6,180	24,689	2,333,429
At 31 December	<b>3,157,839</b>	<b>12,615,567</b>	<b>3,150,721</b>
<b>Less: Accumulated amortisation</b>			
At 1 January	449,764	1,796,807	313,235
Charges for the year	345,236	1,379,218	128,322
Foreign exchange difference	-	-	8,207
At 31 December	<b>795,000</b>	<b>3,176,025</b>	<b>449,764</b>
<b>Carrying amounts</b>			
At 31 December	<b>2,362,839</b>	<b>9,439,542</b>	<b>249,757</b>



### 13. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Demand deposits	25,869,591	103,349,015	32,070,986
Term deposits*	247,160,553	987,406,410	219,751,366
	<b>273,030,144</b>	<b>1,090,755,425</b>	<b>251,822,352</b>

For an analysis of deposits from other financial institutions by maturity, refer to Note 27 on Financial Risk Management.

The annual interest rates of deposits from other financial institutions are as follows:

	2012	2011
Demand deposits	-	-
Term deposits	<b>1.40%-6.00%</b>	<b>2.00% - 3.20%</b>

### 14. DEPOSITS FROM CUSTOMERS

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Current accounts	33,798,648	135,025,600	32,668,143
Fixed deposits	80,571,250	321,882,144	73,539,260
Savings deposits	27,586,496	110,208,052	2,819,145
Margin deposits	969,257	3,872,181	3,717,249
	<b>142,925,651</b>	<b>570,987,977</b>	<b>112,743,797</b>

## 14. DEPOSITS FROM CUSTOMERS (cont)

The above amounts are analysed as follows:

(a) By maturity:

	US\$	31 December 2012 KHR'000 (Note 4)	31 December 2011 US\$
Within 1 month	72,474,795	289,536,806	68,761,630
2 to 3 months	22,056,296	88,114,903	12,604,098
4 to 6 months	21,352,580	85,303,557	13,404,587
7 to 12 months	26,891,846	107,432,925	17,671,503
1 to 5 years	150,134	599,786	301,879
	<b>142,925,651</b>	<b>570,987,977</b>	<b>112,743,797</b>

(b) By type of customer:

	US\$	31 December 2012 KHR'000 (Note 4)	31 December 2011 US\$
Domestic corporations	83,566,023	333,846,262	55,040,929
Foreign corporations	291,671	1,165,226	32,244,890
Resident individuals	52,556,222	209,962,107	9,435,607
Non-resident individuals	6,511,735	26,014,382	16,022,371
	<b>142,925,651</b>	<b>570,987,977</b>	<b>112,743,797</b>

**14. DEPOSITS FROM CUSTOMERS (cont)**

(c) *By interest rates (per annum):*

	31 December 2012	31 December 2011
Current accounts	0 - 0.75%	Nil
Savings accounts	1.00% - 2.00%	0% - 1.00%
Fixed deposits	<b>2.50% - 7.00%</b>	<b>2.00% - 6.00%</b>

**15. INCOME TAX**

(a) *Income tax payable*

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	989,444	3,952,828	319,961
Current tax expense	2,254,398	9,006,321	1,317,778
Income tax paid	(1,739,652)	(6,949,910)	(648,295)
Balance at end of year	<b>1,504,190</b>	<b>6,009,239</b>	<b>989,444</b>



## 15. INCOME TAX (cont)

### (b) Income tax expense

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Current tax expense	<b>2,254,398</b>	<b>9,006,320</b>	<b>1,317,778</b>

### Corporate income tax ("CIT")

In accordance with Cambodian law, the Bank bears corporate income tax of the profit tax at the rate of 20% of taxable profits or minimum tax at 1% of gross revenue, whichever is higher.

In accordance with Vietnamese tax regulations, current CIT is calculated at the tax rate of 25% of taxable income.

Details of income tax expense are as follows:

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Cambodia operations	1,217,113	4,862,367	862,210
Ho Chi Minh Branch	511,377	2,042,951	367,842
Hanoi Branch	525,908	2,101,002	87,726
	<b>2,254,398</b>	<b>9,006,320</b>	<b>1,317,778</b>



## 16. OTHER LIABILITIES

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Interest payable	4,158,896	16,614,789	2,956,946
Wages and salaries payables	272,476	1,088,542	195,251
Bonus and welfare funds (*)	17,469	69,790	-
Others	399,772	1,597,087	426,682
	<b>4,848,613</b>	<b>19,370,208</b>	<b>3,578,879</b>

(\*) Movement of bonus and welfare funds are as follows:

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Balance at 1 January	-	-	-
Transfer from retained earnings during the year	205,192	819,742	-
Bonus and welfare paid	(187,723)	(749,952)	-
Balance at 31 December	<b>17,469</b>	<b>69,790</b>	-

## 17. SHARE CAPITAL

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
<b>Shares of US\$1 each:</b>			
Issued and fully paid 70,000,000 shares	<b>70,000,000</b>	<b>279,650,000</b>	<b>70,000,000</b>

## 18. INTEREST INCOME

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Interest income from loans	27,304,522	109,081,565	23,057,861
<b>Interest income from deposits:</b>			
National Bank of Cambodia	10,550	42,147	20,162
Local financial institutions	6,408	25,601	240,417
Overseas financial institutions	7,749,994	30,961,226	4,303,115
	<b>35,071,474</b>	<b>140,110,539</b>	<b>27,621,555</b>

## 19. INTEREST EXPENSE

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Interest expense on:			
Deposits from other financial institutions	12,540,675	50,099,996	13,190,547
Deposits from customers	7,128,036	28,476,504	5,390,915
	<b>19,668,711</b>	<b>78,576,500</b>	<b>18,581,462</b>

## 20. FEE AND COMMISSION INCOME

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Loan arrangement fees	1,887,068	7,538,837	1,494,720
Loan processing fees	75,130	300,144	71,421
Trade finance-LCs	420,395	1,679,478	539,183
Commission received on remittances	502,166	2,006,153	518,574
Other commission and fees	360,447	1,439,986	365,225
	<b>3,245,206</b>	<b>12,964,598</b>	<b>2,989,123</b>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Personnel	3,030,549	12,107,043	2,205,869
Depreciation	605,564	2,419,228	722,588
Rental	782,698	3,126,878	505,062
Other tax expenses	473,371	1,891,117	382,457
Advertising expense	422,877	1,689,394	328,437
Business meals and entertainment	278,848	1,113,998	217,131
Telephone and telex	234,317	936,096	173,919
Utilities	223,467	892,751	170,973
Travelling and accommodation	131,684	526,078	146,205
Amortisation	345,236	1,379,218	128,322
Convention and conference	319,183	1,275,136	105,360
Supplies	99,821	398,785	101,453
Bank license fees	62,434	249,424	50,701
Repairs and maintenance	468,689	1,872,412	43,047
Professional fees	29,700	118,651	41,085
Shareholder's meeting	30,246	120,833	31,590
Directors' remuneration	47,827	191,069	29,142
Dues and memberships, stamp and registration expenses	6,291	25,133	28,144
Insurance	13,873	55,423	12,653
Bank security	11,390	45,503	10,832
Patent tax	39,106	156,228	1,139
Others	560,534	2,239,333	716,396
	<b>8,217,705</b>	<b>32,829,731</b>	<b>6,152,505</b>

## 22. CASH FLOWS FROM OPERATING ACTIVITIES

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
<b>Cash flows from operating activities</b>			
Profit before income tax	9,893,116	39,523,000	6,117,581
<b>Adjustments for:</b>			
Depreciation and amortisation	950,800	3,798,446	850,909
Allowance for bad and doubtful loans and advances	2,164,430	8,646,898	1,291,290
Gain from investment	(1,775,975)	(7,095,020)	(1,572,584)
Exchange rate differences	170,352	680,552	842,221
	<b>11,402,723</b>	<b>45,553,876</b>	<b>7,929,417</b>
<b>Changes in:</b>			
Deposits with National Bank of Cambodia	(3,917,995)	(15,652,390)	1,438,549
Placement with and loans with other financial institutions	(29,636,723)	(118,398,708)	7,202,909
Loans and advances to customers	(72,447,390)	(118,398,708)	(134,493,009)
Other assets	13,090,704	52,297,363	(25,235,142)
Deposits from other financial institutions	21,207,792	84,725,129	164,186,392
Deposits from customers	30,181,854	120,576,507	15,998,667
Other liabilities	1,082,011	4,322,634	2,377,979
Cash flows (used in)/ generated from operations	(29,037,024)	(116,002,912)	39,005,762
Bonus and welfare paid	(187,723)	(749,952)	-
Income tax paid	(1,739,652)	(6,949,910)	(648,295)
<b>Net cash (used in)/generated from operating activities</b>	<b>(30,964,399)</b>	<b>(123,702,774)</b>	<b>38,357,467</b>

## 23. CASH AND CASH EQUIVALENTS

	US\$	31 December 2012 KHR'000 (Note 4)	31 December 2011 US\$
Cash on hand (Note 5)	4,310,550	17,220,647	6,302,419
Deposits with National Bank of Cambodia – current account (Note 6)	17,314,841	69,172,790	19,496,174
Balances with other banks current and deposits with term of less than 3 months (Note 7)	49,459,981	197,592,624	75,603,298
	<b>71,085,372</b>	<b>283,986,061</b>	<b>101,401,891</b>

## 24. COMMITMENTS AND CONTINGENCIES

### (a) Operations

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

	US\$	31 December 2012 KHR'000 (Note 4)	31 December 2011 US\$
Unutilised portion of overdrafts	11,945,908	47,723,902	23,245,789
Letters of credit	7,226,329	28,869,183	31,111,234
Bank guarantees	2,595,708	10,369,853	994,333
Others	955,072	3,815,514	10,335,455
	<b>22,723,017</b>	<b>90,778,452</b>	<b>65,686,811</b>



## 24. COMMITMENTS AND CONTINGENCIES (cont)

### (b) Lease commitments

The Bank has operating lease commitments in respect of office and house rentals as follows:

	US\$	31 December 2012 KHR'000 (Note 4)	31 December 2011 US\$
Within 1 year	1,057,245	4,223,694	327,921
Within 2 to 5 years	5,891,618	23,537,014	1,639,606
More than 5 years	3,430,831	13,706,170	3,142,577
	<b>10,379,694</b>	<b>41,466,878</b>	<b>5,110,104</b>

### (c) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 25. RELATED PARTY BALANCES AND TRANSACTIONS

### (a) Identity of related parties

The Bank entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

### (b) Related party transactions

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
<b>Interest income</b>			
BIDV (Head Office)	1,574	6,287	-
Lao Viet Bank	-	-	572,547
	<b>1,574</b>	<b>6,287</b>	<b>572,547</b>
<b>Interest expense</b>			
BIDV (Head Office)	8,619,698	34,435,694	1,593,196
BIDV (Representative Office)	2,131	8,513	-
IDCC	181,591	725,455	28,796
Cambodia-Vietnam Insurance Plc.	410,795	1,641,126	481,805
Cambodia-Vietnam Securities Plc.	516,788	2,064,568	469,457
Lao Viet Bank	-	-	225,675
	<b>9,731,003</b>	<b>38,875,356</b>	<b>2,798,929</b>

### Key management personnel compensation

The details of remuneration of directors and other members of key management of the Bank are as follows:

	2012		2011
	US\$	KHR'000 (Note 4)	US\$
Board of Directors	15,000	59,925	23,171
Board of Management	375,066	1,498,389	215,713
Total remuneration	<b>390,066</b>	<b>1,558,314</b>	<b>238,884</b>

## 25. RELATED PARTY BALANCES AND TRANSACTIONS (cont)

### (c) Related party balances

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
<b>Deposits with related parties</b>			
BIDV (Head Office)	5,928,009	23,682,396	8,186,753
BIDV (HCMC Branch)	1,876,191	7,495,383	-
BIDV (Ha Thanh Branch)	2,085,523	8,331,664	-
BIDV (SGD 2 Branch)	5,423	21,665	-
BIDV (NKKN Branch)	7,162	28,612	-
Lao Viet Bank (Head Office)	4,840,870	19,339,276	2,880,737
Lao Viet Bank (HCMC Branch)	2,436,455	9,733,638	17,675,003
Lao Viet Bank (Hanoi Branch)	16,450,521	65,719,831	14,000,000
	<b>33,630,154</b>	<b>134,352,465</b>	<b>42,742,493</b>
<b>Amounts due to related parties</b>			
BIDV (Head Office)	179,700,403	717,903,110	94,478,741
BIDV (Representative Office)	74,752	298,634	-
IDCC	109,427	437,161	1,809,420
Cambodia-Vietnam Insurance Plc.	6,255,233	24,989,656	5,902,005
Cambodia -Vietnam Securities Plc.	9,270,785	37,036,786	8,895,435
Lao Viet Bank (Head Office)	2,454,895	9,807,306	6,241,598
Lao Viet Bank (HCMC Branch)	2,461,114	9,832,150	15,512,353
Lao Viet Bank (Hanoi Branch)	14,482,008	57,855,622	16,880,737
	<b>214,808,617</b>	<b>858,160,425</b>	<b>149,720,289</b>
<b>Loans and advance to related parties</b>			
Loan to Cavifoods Co., Ltd	2,713,000	10,838,435	-
Loans to employees	98,240	392,469	115,940
	<b>2,811,240</b>	<b>11,230,904</b>	<b>115,940</b>

## 26. GEOGRAPHICAL REGIONS

The Bank operates in two geographical markets: Kingdom of Cambodia (“Domestic”) and Socialist Republic of Vietnam (“Vietnam”). The assets allocation based on the geographical regions as at 31 December 2012 is as follows:

	31 December 2012		
	Domestic US\$	Vietnam US\$	Total US\$
<b>Assets</b>			
Cash on hand	3,917,559	392,991	4,310,550
Deposits with National Bank of Cambodia	36,985,403	-	36,985,403
Placements with and loans to other financial institutions	7,502,565	72,026,311	79,528,876
Loans and advances to customers	231,014,189	120,862,895	351,877,084
Other assets	5,751,645	7,718,320	13,469,965
Investments	1,525,000	10,081,439	11,606,439
Property and equipment	3,926,523	619,154	4,045,677
Intangible assets	1,463,659	899,180	2,362,839
<b>Total assets</b>	<b>292,086,543</b>	<b>212,600,290</b>	<b>504,686,833</b>
<b>Liabilities</b>			
Deposits from other financial institutions	164,326,303	108,703,841	273,030,144
Deposits from customers	78,509,813	64,415,838	142,925,651
Income tax payable	1,256,885	247,305	1,504,190
Other liabilities	2,230,390	2,618,223	4,848,613
<b>Total liabilities</b>	<b>246,323,391</b>	<b>175,985,207</b>	<b>422,308,598</b>

## 26. GEOGRAPHICAL REGIONS (cont)

	31 December 2011		
	Domestic US\$	Vietnam US\$	Total US\$
<b>Assets</b>			
Cash on hand	5,902,589	399,830	6,302,419
Deposits with National Bank of Cambodia	35,248,740	-	35,248,740
Placements with and loans to other financial institutions	15,411,805	60,911,679	76,323,484
Loans and advances to customers	164,351,618	116,954,493	281,306,111
Other assets	1,535,532	25,044,974	26,560,669
Investments	1,975,000	9,602,458	11,577,458
Property and equipment	3,484,806	574,439	4,059,245
Intangible assets	1,657,735	1,043,222	2,700,957
<b>Total assets</b>	<b>229,567,825</b>	<b>214,531,095</b>	<b>444,079,083</b>
<b>Liabilities</b>			
Deposits from other financial institutions	147,852,422	103,969,930	251,822,352
Deposits from customers	66,025,405	46,718,392	112,743,797
Income tax payable	874,343	115,101	989,444
Other liabilities	1,404,399	2,174,480	3,578,879
<b>Total liabilities</b>	<b>216,156,569</b>	<b>152,977,903</b>	<b>369,134,472</b>



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## **27. FINANCIAL RISK MANAGEMENT**

### Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- Operational risk
- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

A primary objective of the Bank in risk management is to comply with the NBC's regulations. On the other hand, the Bank has recognised the importance of achieving international best practices on risk management. The Bank has established a Risk Management Department to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

#### (a) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The operational risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

## 27. FINANCIAL RISK MANAGEMENT (cont)

### (b) Credit risk

Credit risk is risk of the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Credit Risk Department.

#### (i) Credit risk measurement

The Bank assesses the probability of default of individual counterparties manually. Credit Risk Department is responsible for determining the risk rating policies.

#### (ii) Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia and Vietnam. 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 single beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of NBC Prakas No. B7-06-226 of the NBC, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregation of large credit exposure shall 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 to customers, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings;
- Customer fixed deposits placed with the Bank;
- Cash in the form of margin deposits; and
- Debentures over fixed and floating assets of borrowers.

**27. FINANCIAL RISK MANAGEMENT (cont)**

(b) Credit risk (cont)

(iii) Exposure to credit risk

	31 December 2012		31 December 2011
	US\$	KHR'000 (Note 4)	US\$
Loans and advances			
Individually impaired	1,991,664	7,956,698	89,207
Past due but not impaired	5,292,258	21,142,571	1,792,459
Neither past due nor impaired	348,961,081	1,394,099,518	281,915,947
	<b>356,245,003</b>	<b>1,423,198,787</b>	<b>283,797,613</b>
Allowance for bad and doubtful loans and advances	(4,367,919)	(17,449,837)	(2,491,502)
<b>Total loans and advances-net</b>	<b>351,877,084</b>	<b>1,405,748,950</b>	<b>281,306,111</b>

*Impaired loans and advances*

Individually impaired loans and advances are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 90 days. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

*Past due but not impaired loans and advances*

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific provision of 3%.

## 27. FINANCIAL RISK MANAGEMENT (cont)

### (b) Credit risk (cont)

#### (iii) Exposure to credit risk (cont)

##### *Loans with renegotiated terms/restructured loans*

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within three instalment periods and within a period of not less than 3 months.

##### *Write-off policy*

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its financial statements when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

##### *Collateral*

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis.

There are no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

##### *Concentration of credit risk*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location. As at 31 December 2012, loans to customers in the wholesale and retail industry accounted for 32% (31 December 2011: 27%) of the total loan portfolio. The Bank has identified this industry concentration and has controlled and managed it accordingly.

The analysis of concentration of credit risk from loans and advances at the reporting date are shown in Note 8 to the financial statements.



## **27. FINANCIAL RISK MANAGEMENT (cont)**

### **(c) Market risk**

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

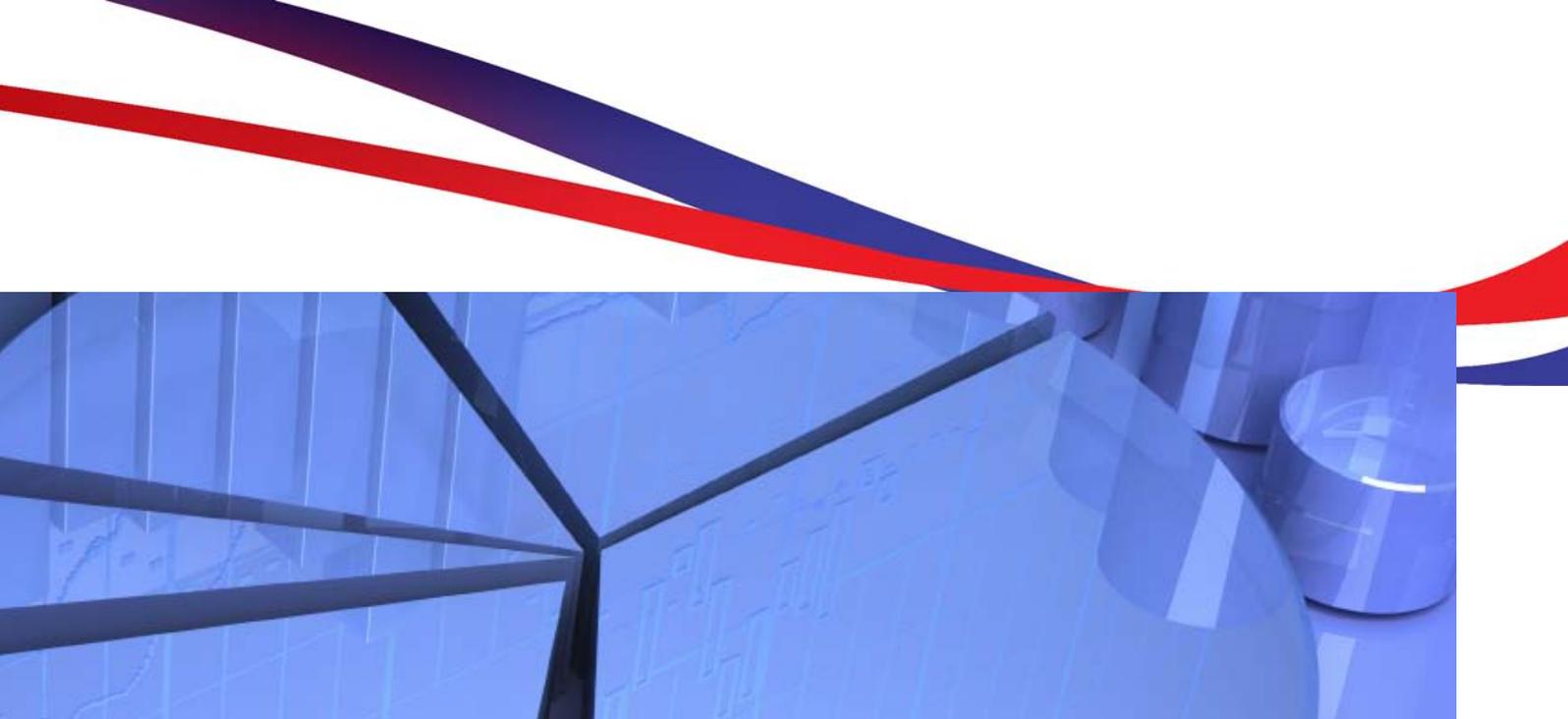
The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

#### *(i) Foreign currency exchange risk*

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time.

The Bank operates in the Kingdom of Cambodia and Vietnam and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR, USD and VND. 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 Bank has set limits on positions by currency, based on its internal risk assessment system and the NBC's regulations. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As at 31 December, balances in monetary assets and liabilities denominated in currencies other than US\$ and VND are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.



## 27. FINANCIAL RISK MANAGEMENT (cont)

### (c) Market risk (cont)

#### (ii) 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 and may reduce losses in the event that unexpected movements arise. The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, the management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Bank has no financial assets and liabilities with floating interest rates. Deposits with the NBC, deposit and placements with other financial institutions and loans and advances earn fixed interest rates for the period of the deposits or loans. Placement and deposits from other financial institutions and deposits from customers have fixed interest rates.

### (d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

## 27. FINANCIAL RISK MANAGEMENT (cont)

### (d) Liquidity risk (cont)

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

	<i>Up to 1 month US\$</i>	<i>1 – 3 months US\$</i>	<i>3 – 12 months US\$</i>
As at 31 December 2012			
Deposits from other financial institutions	14,935,578	123,072,813	122,223,232
Deposits from customers	72,474,795	22,056,296	48,244,426
Other liabilities	876,192	1,437,236	1,716,365
	<b>88,286,565</b>	<b>146,566,345</b>	<b>172,184,023</b>
As at 31 December 2011			
Deposits from other financial institutions	224,877,522	18,444,830	8,500,000
Deposits from customers	68,761,730	12,604,098	31,076,090
Other liabilities	1,082,920	641,468	1,815,772
	<b>294,722,172</b>	<b>31,690,396</b>	<b>41,391,862</b>



<i>1 – 5 years US\$</i>	<i>Over 5 years US\$</i>	<i>No fixed terms US\$</i>	<i>Total US\$</i>
3,000,000	-	9,798,521	273,030,144
150,134	-	-	142,925,651
697,328	104,023	17,469	4,848,613
<b>3,847,462</b>	<b>104,023</b>	<b>9,815,990</b>	<b>420,804,408</b>
-	-	-	251,822,352
301,879	-	-	112,743,797
38,719	-	-	3,578,879
<b>340,598</b>	-	-	<b>368,145,028</b>

## **27. FINANCIAL RISK MANAGEMENT (cont)**

### (e) Capital management

#### (i) *Regulatory capital*

The Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirement throughout the year.

#### (i) *Capital allocation*

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

## **28. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. In making this assessment, the management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for loan losses, if any.



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