

VATTANAC BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

VATTANAC BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

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*** This Appendix does not form part of the financial statements**

VATTANAC BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

STATEMENT BY BOARD OF DIRECTORS

The Board of Directors submits its report and the audited financial statements of Vattanac Bank Limited (“the Bank”) for the year ended 31 December 2004.

VATTANAC BANK LIMITED

The Bank registered with the Ministry of Commerce of Cambodia as a public limited liability company under license number Co.6000/02P dated 01 July 2002. The Bank obtained its banking license from the National Bank of Cambodia (“the Central Bank”) to operate as a commercial bank with effect from 7 June 2002. The Bank was officially inaugurated on 8 November 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Bank consist of the provision of various types of banking and related financial services.

RESULTS OF OPERATION AND DIVIDEND

The results of operations for the year ended 31 December 2004 are set out in the income statement on page 6.

No dividend was declared or paid during the year ended 31 December 2004.

SHARE CAPITAL

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

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial period.

BAD AND DOUBTFUL DEBTS

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 bad debts and the making of allowances for doubtful debts, and satisfied themselves that there were no known bad debts and no allowance is required to be made for bad and doubtful debts.

At the date of this report, the directors are not aware of any circumstances of bad or doubtful debts in the financial statements of the Bank.

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, have been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the 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 period 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 period 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 period 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.

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 period in which this report is made.

DIRECTORS

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

Oknha Sam Ang	Chairman
Madam Chhun Leang	Member
Miss Sam Ang Kanika	Member
Mr Sam Ang Vattanac	Member

DIRECTOR'S INTERESTS

The interests of the directors in the shares of the Bank during this year and at the date of this report are as follows:

	Holding %	Number of shares of US\$100 each
Oknha Sam Ang	30	39,000
Madam Chhun Leang	30	39,000
Miss Sam Ang Kanika	20	26,000
Mr Sam Ang Vattanac	20	26,000
	<hr/>	<hr/>
	100	130,000

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Bank is a party, with the object of enabling directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate; and

No director of the Bank has received or become entitled to receive any benefit (other than the benefit received by the directors as disclosed in note 22 to financial statements) by reason of a contract made by the Bank or with a firm which the director is a member, or with a company which the director has a material financial interest.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The board of directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2004 and of the results of its operations and its cash flows for the period 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 accounting principles generally followed in Cambodia and the guidelines issued by the Central Bank or, if there have been any departures in the interest of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- 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 the Bank has complied with the above requirements in preparing the financial statements.

Oknha Sam Ang

Madam Chhun Leang

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
VATTANAC BANK LIMITED**

We have audited the accompanying balance sheet of Vattanac Bank Limited (“the Bank”), as at 31 December 2004 and the related statements of income and cash flows for the year then ended, together with the notes there to on pages 6 to 34 (“the financial statements”) expressed in United States dollars.

Respective responsibilities of Board of Directors and the auditors

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

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

This report, including the opinion, has been prepared for and only for the Bank’s shareholders and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

Basis of opinion

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

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

As indicated in note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Cambodia. The accounting principles and practices utilised in Cambodia may differ from those generally accepted in countries and jurisdictions other than Cambodia.

Each balance of the financial statements was translated into Khmer Riel at the official rate of exchange as at the reporting date as regulated by the Central Bank, in accordance with Announcement No. B795-139-AN issued on 5 December 1995. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and, we therefore, do not express an opinion on the financial statements expressed in Khmer Riel.

Opinion

In our opinion, the financial statements set out on 6 to 34 give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with the requirements of the National Bank of Cambodia (“the Central Bank”) and accounting principles generally accepted in Cambodia.

Ian S Lydall
Territorial Senior Partner
PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Phnom Penh, Kingdom of Cambodia
Date: 22 February 2005

VATTANAC BANK LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	For the year ended 31 December 2004		For the year ended 31 December 2003	
		US\$	Riel'000 (At year-end exchange rate)	US\$	Riel'000 (At year-end exchange rate)
Interest income	3	1,377,798	5,548,392	628,027	2,497,035
Interest expense	4	<u>(94,044)</u>	<u>(378,715)</u>	<u>(37,614)</u>	<u>(149,553)</u>
Net interest income		1,283,754	5,169,677	590,413	2,347,482
Fee and commission income	5	837,643	3,373,189	468,688	1,863,504
Fee and commission expense		<u>(95,146)</u>	<u>(383,154)</u>	<u>(60,672)</u>	<u>(241,232)</u>
Net fee and commission income		742,497	2,990,035	408,016	1,622,272
Other operating income		16,390	66,003	3,718	14,782
General administrative expenses	6	<u>(863,286)</u>	<u>(3,476,453)</u>	<u>(601,665)</u>	<u>(2,392,220)</u>
Profit before income tax		1,179,355	4,749,262	400,482	1,592,316
Income tax expense	7	<u>(235,871)</u>	<u>(949,852)</u>	<u>(49,024)</u>	<u>(194,919)</u>
Net profit for the year		<u>943,484</u>	<u>3,799,410</u>	<u>351,458</u>	<u>1,397,397</u>

VATTANAC BANK LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

The accompanying notes on pages 10 to 34 form an integral part of these financial statements

VATTANAC BANK LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2004**

	Note	31 December 2004		31 December 2003	
		US\$	Riel'000 (at year end exchange rate)	US\$	Riel'000 (at year end exchange rate)
ASSETS					
Cash		3,041,042	12,246,277	1,866,390	7,420,766
Balances with the Central Bank	8	11,489,290	46,267,371	7,337,200	29,172,707
Balances with other banks	9	2,570,628	10,351,918	2,422,336	9,631,208
Placements with other banks	10	9,100,000	36,645,700	5,800,000	23,060,800
Loans and advances to customers	11	12,949,533	52,147,769	8,641,470	34,358,485
Computer software	12	107,835	434,251	147,435	586,202
Property and equipment	13	369,711	1,488,826	239,853	953,655
Other assets	14	88,515	356,453	45,024	179,015
Total assets		39,716,554	159,938,56 5	26,499,708	105,362,83 8
LIABILITIES AND SHAREHOLDERS' FUNDS					
LIABILITIES					
Deposit of bank		71,202	286,730	157,431	625,945
Deposits of non-bank customers	15	25,242,408	101,651,17 7	12,910,558	51,332,379
Other liabilities	16	47,623	191,781	26,476	105,268
Provision for taxation	17	217,042	874,028	40,448	160,821
Total liabilities		25,578,275	103,003,71 6	13,134,913	52,224,413
SHAREHOLDERS' EQUITY					
Share capital	18	13,000,000	52,351,000	13,000,000	51,688,000
Retained earnings		1,138,279	4,583,849	194,795	774,505
Subordinated loans	19	-	-	170,000	675,920
		14,138,279	56,934,849	13,364,795	53,138,425
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>39,716,554</u>	<u>159,938,56</u>	<u>26,499,708</u>	<u>105,362,83</u>

VATTANAC BANK LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2004**

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The accompanying notes on pages 10 to 34 form an integral part of these financial statements

VATTANAC BANK LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Share capital US\$	Retained earnings US\$	Subordinated loans US\$	Total US\$
Balance at 1 January 2003	13,000,000	(156,663)	170,000	13,013,337
Net profit for the year	<u>-</u>	<u>351,458</u>	<u>-</u>	<u>351,458</u>
Balance at 31 December 2003	<u>13,000,000</u>	<u>194,795</u>	<u>170,000</u>	<u>13,364,795</u>
In Riel'000 equivalents	<u>51,688,000</u>	<u>774,505</u>	<u>675,920</u>	<u>53,138,425</u>
Balance at 1 January 2004	13,000,000	194,795	170,000	13,364,795
Payment of subordinated loans	-	-	(170,000)	(170,000)
Net profit for the year	<u>-</u>	<u>943,484</u>	<u>-</u>	<u>943,484</u>
Balance at 31 December 2004	<u>13,000,000</u>	<u>1,138,279</u>	<u>-</u>	<u>14,138,279</u>
In Riel'000 equivalents	<u>52,351,000</u>	<u>4,583,849</u>	<u>-</u>	<u>56,934,849</u>

The accompanying notes on pages 10 to 34 form an integral part of these financial statements.

VATTANAC BANK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	For the year ended 31 December 2004		For the year ended 31 December 2003	
		US\$	Riel'000 <i>(At year-end exchange rate)</i>	US\$	Riel'000 <i>(At year-end exchange rate)</i>
Cash flows from operating activities					
Profit before taxation		1,179,355	4,749,263	400,482	1,592,316
Adjustments for:			499,372		
Depreciation and amortisation		124,007		91,464	363,661
Loss on disposal of property and equipments		178	717	-	-
Operating income before changes in operating assets and liabilities		1,303,540	5,249,352	491,946	1,955,977
Changes in operating assets and liabilities:					
Increase in placements with other banks		(600,000)	(2,416,200)	-	-
		(4,308,063	(17,348,570	(8,641,470	
Increase in loans and advances)))	(34,358,485)
			(175,138)		
Increase in other assets (Decrease)/increase in deposit of bank		(43,491)		(27,768)	(110,406)
		(86,229)	(347,244)	157,431	625,945
Increase in deposits of non-bank customers		12,331,850	49,660,360	11,412,868	45,377,563
Increase/(decrease) in other liabilities		21,147	85,163	(31,982)	(127,159)
			34,707,723		
Cash generated from operations		8,618,754		3,361,025	13,363,435
Taxation paid		(59,277)	(238,708)	(8,873)	(35,279)
Net cash generated from operating activities		8,559,477	34,469,015	3,352,152	13,328,156
Cash flows from investing activities					
Purchases of property and equipment		(214,443)	(863,562)	(63,181)	(251,208)
Short-term deposits with the Central Bank		-	-	(1,000,000)	(3,976,000)
Reserve deposits with the Central Bank		(835,000)	(3,362,545)	(798,000)	(3,172,848)
Net cash used in investing activities		(1,049,443)	(4,226,107)	(1,861,181)	(7,400,056)
Cash flows from financing activities					
Repayment of subordinated loans			(684,590)	-	-

VATTANAC BANK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004**

		<u>(170,000)</u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in financing activities		(170,000)	(684,590)	-	-
Net increase in cash and cash equivalents		7,340,034	29,558,318	1,490,971	5,928,100
Cash and cash equivalents at beginning of year		14,235,926	56,602,041	12,744,955	50,087,673
Currency translation at balance sheet date		<u>-</u>	<u>726,032</u>	<u>-</u>	<u>586,268</u>
Cash and cash equivalents at end of year	20	<u>21,575,960</u>	<u>86,886,391</u>	<u>14,235,926</u>	<u>56,602,041</u>

The accompanying notes on pages 10 to 34 form an integral part of these financial statements

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 BACKGROUND INFORMATION

Vattanac Bank Limited (“the Bank”), a bank incorporated in the Kingdom of Cambodia, obtained its banking license from the National Bank of Cambodia (“the Central Bank”) to operate as a commercial bank with effect from 7 June 2002. The Bank was officially inaugurated on 8 November 2002.

The Bank was registered with the Ministry of Commerce of Cambodia as a public limited liability company under license number Co.6000/02P dated 01 July 2002.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services. There were no significant changes in the nature of these principal activities during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Kingdom of Cambodia. The accounting principles and practices utilised in the Kingdom of Cambodia may differ from those generally accepted in countries and jurisdictions other than the Kingdom of Cambodia.

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the Central Bank, each account of the financial statements has to be translated into Khmer Riel (“Riel”) at the official rate of exchange regulated by the Central Bank as at reporting date. The financial statements expressed in Riel do not form part of the audited financial statements and are not for the use of other parties other than the Central Bank. As at 31 December 2004, this translation was made at the rate of United States dollar (“US\$”) 1 to Riel 4,027 (2003: US\$1 to Riel 3,976).

2.2 Foreign currency transaction

a) Functional and presentation currency

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

b) Transactions and balances

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rates prevailing at the date of transactions. Foreign exchange

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in currencies other than US\$, are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Foreign currency transactions (Continued)

The principal rates used to translate monetary assets and liabilities at the balance sheet date are:

	31 December 2004	31 December 2003
RIEL	4,027	3,976
EURO	0.74	0.79
SGD	1.59	1.43

2.3 Interest income and expense

Interest income on loans and advances to customers, deposits with the Central Bank and other banks, and treasury bills is recognised on a daily accruals basis, except where serious doubt exists as to the collectibility of loans and advances to customers, in which case, no interest income is recognised. The policy on suspension of interest is in conformity with the Central Bank's Guidelines on the suspension of interest on non-performing loans and provision for bad and doubtful debts.

Interest expense on deposits of customers and settlement accounts of other banks is recognised on a daily accruals basis.

2.4 Fee and commission income

Fee and commission income are recognised when the transaction occurs. Fee and commission income comprises income received from inward and outward bank transfers, loan processing, bank guarantee, letters of credits and bills for collection.

2.5 Loans and advances to customers

All loans and advances to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and provision for bad and doubtful debts. Short term loans are those with a repayment date within one year of the date the loan was advanced. Long term loans are those with a final repayment date of more than one year of the date the loan was advanced.

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

2.6 Provision for loan losses

The Bank is required to follow the mandatory credit classification and provisioning as required by Prakas B7-02-145 dated 7 June 2002 issued by the Central Bank. The Prakas requires

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

commercial banks to classify their loan portfolio into four classes and the mandatory level of specific provisioning is provided, depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, as follows:

Standard	0%
Substandard (overdue from 91 days to 180 days)	10%
Doubtful (overdue from 181 days to 360 days)	30%
Loss (overdue more than 360 days)	100%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Overdue loans

In accordance with Prakas B 700-51K issued by the Central Bank on 17 February 2000, overdue loans are defined as the total outstanding principal where the principal or interest is past due, unless the payment terms on interest or principal have been adjusted.

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the declining balance method (2003: straight-line method) to allocate their cost to their residual value over their estimated useful lives, as follows:

	2004	2003
Premises improvements	10 years	10 years
Furniture and fittings	8 years	10 years
Computer and office equipment	4 years	5 years
Computer software	4 years	5 years
Motor vehicles	8 years	5 years

Effective 1 January 2004, depreciation for property and equipment has been revised by the Bank. This is a change in the accounting estimate and, therefore, has been applied prospectively. The effect of the change in the accounting estimate has been set out in note 13 to the financial statements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.9 Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 years (2003: 5 years) using declining balance method (2003: straight-line method).

Effective 1 January 2004, amortisation of computer software has been revised by the Bank. This is a change in the accounting estimate and therefore, has been applied prospectively. The effect of the change in the accounting estimate has been set out in note 12 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Operating lease

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

2.11 Cash and cash equivalents

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

2.12 Related party transactions

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

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital or voting rights and include any individual who participates in the administration, direction, management or internal control of the Bank.

Transactions with related parties and related account balances are disclosed in note 22 to the financial statements.

2.13 Deferred tax

Deferred income tax will be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14 Investments in short-term deposits with other banks

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

The Bank classified its investments in overnight deposits and short-term deposits with other banks as held-to-maturity investments which have fixed maturity where the Bank has both the intent and the ability to hold to maturity. These investments are stated at carrying value less any provision for impairment.

2.15 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation of the current year.

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

3 INTEREST INCOME

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Loans and advances	1,213,760	4,887,812	507,850	2,019,211
Deposits and placements with banks:				
Banks outside Cambodia	73,722	296,878	52,849	210,128
The Central Bank	82,944	334,015	39,828	158,356
Banks in Cambodia	-	-	27,500	109,340
Treasury bills	7,372	29,687	-	-
	<u>1,377,798</u>	<u>5,548,392</u>	<u>628,027</u>	<u>2,497,035</u>

4 INTEREST EXPENSES

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Saving deposits	74,052	298,207	33,204	132,019
Fixed deposits	19,992	80,508	4,410	17,534
	<u>94,044</u>	<u>378,715</u>	<u>37,614</u>	<u>149,553</u>

5 FEE AND COMMISSION INCOME

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Fund remittance fee	481,571	1,939,287	253,091	1,006,290
Loan processing and commitment fee	219,804	885,151	146,797	583,665
Trade finances	126,562	509,665	63,238	251,434
Other service charges	9,706	39,086	5,562	22,115
	<u>837,643</u>	<u>3,373,189</u>	<u>468,688</u>	<u>1,863,504</u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

6 GENERAL ADMINISTRATIVE EXPENSES

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Staff costs	350,970	1,413,356	281,829	1,120,552
Depreciation and amortisation	124,007	499,372	91,464	363,661
Director's remuneration	110,000	442,970	-	-
Rent of land and building	66,111	266,229	49,389	196,371
Communication expenses	38,137	153,578	28,686	114,056
Traveling cost	25,433	102,419	22,194	88,243
Utilities and office expenses	29,470	118,676	24,115	95,881
Insurance and security expenses	21,539	86,738	21,616	85,945
Marketing cost	24,322	97,945	21,761	86,522
Banking license fee	17,438	70,223	17,812	70,820
Repair and maintenance	10,272	41,365	2,883	11,463
Auditor's remuneration	7,475	30,102	8,400	33,398
Other administrative expenses	38,112	153,480	31,516	125,308
	<u>863,286</u>	<u>3,476,453</u>	<u>601,665</u>	<u>2,392,220</u>

7 TAXATION

a) Income tax expense

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Current taxation	235,871	949,852	49,038	194,975
Over-provided in prior period	-	-	(14)	(56)
	<u>235,871</u>	<u>949,852</u>	<u>49,024</u>	<u>194,919</u>

In accordance with Cambodian tax laws, the Bank has an obligation to pay corporate income tax of either the Tax on Profit at the rate of 20% of taxable profit or Minimum Tax at 1% of turnover, whichever is higher.

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

7 TAXATION (Continued)

b) Reconciliation between income tax expense and accounting profit

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Profit before tax	1,179,355	4,749,262	400,482	1,592,316
Income tax (20%)	235,871	949,852	80,096	318,462
Effect of tax loss carried forward	-	-	(31,058)	(123,487)
	235,871	949,852	49,038	194,975
Over-provided in prior period	-	-	(14)	(56)
	235,871	949,852	49,024	194,919

The current income tax represents the Bank's Tax on Profit computed at 20% of the taxable profit.

c) Other tax matter

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

8 BALANCES WITH THE CENTRAL BANK

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Short-term deposits	6,000,000		3,500,000	13,916,000
		24,162,000		
Clearing accounts	2,464,290		1,647,200	6,549,267
		9,923,695		
Reserve deposits	1,725,000		890,000	3,538,640
		6,946,576		
Statutory deposit	1,300,000		1,300,000	5,168,800

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<u>5,235,100</u>		
11,489,290		7,337,200	29,172,707
	<u>46,267,371</u>		

The Bank maintains, in compliance with Prakas No B701-136 dated 15 October 2001, a statutory deposit with the Central Bank equivalent to US\$1,300,000 and which represents 10% of its registered capital. This deposit earns interest at the rate of 3/8 six month SIBOR, with effective rate ranging from 0.46% to 0.73% (2003: 0.42% to 0.52%). This deposit is refundable should the Bank cease its operations in Cambodia.

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

8 BALANCES WITH THE CENTRAL BANK (Continued)

Reserve accounts represent the minimum reserve requirement which is calculated at 8% of the total deposits from customers and settlements accounts of other banks. In calculating the minimum reserve, the Central Bank allows for an amount of cash on hand in local currency of Riel 13,941 thousand held by the Bank as at 31 December 2004 (2003: Riel 4,378 thousand) to be deducted from the required reserves.

Effective year-end annual interest rates on balances with the Central Bank are summarised as follows:

	2004	2003
Short term deposits	0.8% - 1.8%	0.80% - 1%
Clearing accounts	0%	0%
Statutory deposit	0.46% - 0.73%	0.42% - 0.52%
Reserve deposits	0%	0%

9 BALANCES WITH OTHER BANKS

This represents current accounts with other banks outside Cambodia. Current accounts mainly earn interest at rates ranging from 0.61% to 1.52% in 2004 (2003: 0.50% to 0.63%) per annum.

10 PLACEMENTS WITH OTHER BANKS

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Banks outside Cambodia:				
HSBC – New York	6,000,000	24,162,000	4,000,000	15,904,000
Vietcom Bank	2,500,000	10,067,500	1,800,000	7,156,800
Wachovia Bank – New York	<u>600,000</u>	<u>2,416,200</u>	<u>-</u>	<u>-</u>
	<u>9,100,000</u>	<u>36,645,700</u>	<u>5,800,000</u>	<u>23,060,800</u>

Short-term deposits earn interest at rates ranging from 0.75% to 2.00% in 2004 (2003: 0.75% to 0.90%) per annum.

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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11 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of loans

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Commercial loans:				
Overdrafts	7,743,745		6,069,556	24,132,555
		31,184,062		
Term loans	4,372,037		2,134,912	8,488,410
		17,606,192		
Trust receipts	761,103		399,690	1,589,167
		3,064,962		
Bills purchased	43,860		28,560	113,555
		176,624		
	<u>12,920,745</u>	<u>52,031,840</u>	<u>8,632,718</u>	<u>34,323,687</u>
Consumer loans:				
Staff loans	28,788		8,752	34,798
		115,929		
	<u>12,949,533</u>	<u>52,147,769</u>	<u>8,641,470</u>	<u>34,358,485</u>

No allowance for bad and doubtful loans and advances and no interest-in-suspense have been provided for in the financial statements. In the opinion of the directors, all loans and advances have been individually reviewed at the year-end and in accordance with the Central Bank's provisioning guidelines, all balances are considered fully recoverable and accordingly no provision is considered necessary.

All term loans were granted to Cambodian borrowers.

(b) Analysis by industry

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Services	4,567,142	18,391,881	2,338,948	9,299,657

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Wholesales and retails	1,965,915	7,916,740	620,092	2,465,486
Imports	1,565,488	6,304,220	2,534,144	10,075,757
Manufacturing	1,195,919	4,815,966	488,352	1,941,688
Construction	973,091	3,918,637	49,841	198,168
Housing	777,713	3,131,850	1,470,524	5,846,803
Transportations	468,637	1,887,201	288,903	1,148,678
Agriculture	349,943	1,409,220	349,662	1,390,256
Staff	28,788	115,930	8,752	34,798
Others	1,056,897	4,256,124	492,252	1,957,194
	<u>12,949,533</u>	<u>52,147,769</u>	<u>8,641,470</u>	<u>34,358,485</u>

11 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysis by security

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Secured	12,920,745		8,632,718	34,323,687
		52,031,840		
Unsecured	28,788		8,752	34,798
		115,929		
	<u>12,949,533</u>		<u>8,641,470</u>	<u>34,358,485</u>
		<u>52,147,769</u>		

(d) Analysis by relationship

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Non related parties	12,920,745		8,632,718	34,323,687
		52,031,840		
Staff loans	28,788		8,752	34,798
		115,929		

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

12,949,533	52,147,769	8,641,470	34,358,485
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(e) **Analysis by type of customers**

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Corporate	12,920,745	52,031,840	8,632,718	34,323,687
Individuals	28,788	115,929	8,752	34,798
	<u>12,949,533</u>	<u>52,147,769</u>	<u>8,641,470</u>	<u>34,358,485</u>

11 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) **Interest rate**

These loans and advances earn interest at annual rates in 2004 and 2003 ranging from:

	2004	2003
Loans	10%-14.4%	11%-13.2%
Overdrafts	10%-14.4%	10.8%-15.6%
Bills purchased	13.2%	13.2%
Staff loans	3%	3%
Trust receipt	11%	11%

12 COMPUTER SOFTWARE

Banking SWIFT

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Software US\$	System US\$	Total US\$
At 1 January 2003			
Cost	111,156	50,902	162,058
Accumulated amortisation	<u>(2,499)</u>	-	<u>(2,499)</u>
Net book amount	108,657	50,902	159,559
Year ended 31 December 2003			
Opening net book amount	108,657	50,902	159,559
Additions	22,680	-	22,680
Amortisation charge	<u>(24,628)</u>	<u>(10,176)</u>	<u>(34,804)</u>
Closing net book value	106,709	40,726	147,435
At 31 December 2003			
Cost	133,836	50,902	184,738
Accumulated amortisation	<u>(27,127)</u>	<u>(10,176)</u>	<u>(37,303)</u>
Net book amount	<u>106,709</u>	<u>40,726</u>	<u>147,435</u>
Year ended 31 December 2004			
Opening net book amount	106,709	40,726	147,435
Additions	12,766	7,100	19,866
Amortisation charge	<u>(48,377)</u>	<u>(11,089)</u>	<u>(59,466)</u>
Closing net book value	71,098	36,737	107,835
At 31 December 2004			
Cost	146,602	58,002	204,604
Accumulated amortisation	<u>(75,504)</u>	<u>(21,265)</u>	<u>(96,769)</u>
Net book amount	<u>71,098</u>	<u>36,737</u>	<u>107,835</u>

The financial effect of the change in amortisation method and amortisation rate of computer software as discussed in note 2.9 to the financial statements has been an increase in the amortisation charge for the year by approximately US\$ 22,000.

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

13 PROPERTY AND EQUIPMENT

	Premises improvements	Furniture and fittings	Computers and office equipment	Motor vehicles	Fixed asset in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2003						
Cost	42,916	25,681	85,239	127,400	-	281,236
Accumulated depreciation	<u>(1,827)</u>	<u>(1,388)</u>	<u>(8,721)</u>	<u>(13,288)</u>	-	<u>(25,224)</u>
Net book amount	41,089	24,293	76,518	114,112	-	256,012
Year ended 31 December 2003						
Opening net book amount	41,089	24,293	76,518	114,112	-	256,012
Additions	450	4,760	35,291	-	-	40,501
Depreciation charge	<u>(4,019)</u>	<u>(2,525)</u>	<u>(18,780)</u>	<u>(31,336)</u>	-	<u>(56,660)</u>
Closing net book value	37,520	26,528	93,029	82,776	-	239,853
At 31 December 2003						
Cost	43,366	30,441	120,530	127,400	-	321,737
Accumulated depreciation	<u>(5,846)</u>	<u>(3,913)</u>	<u>(27,501)</u>	<u>(44,624)</u>	-	<u>(81,884)</u>
Net book amount	<u>37,520</u>	<u>26,528</u>	<u>93,029</u>	<u>82,776</u>	-	<u>239,853</u>
Year ended 31 December 2004						
Opening net book amount	37,520	26,528	93,029	82,776	-	239,853
Additions	-	1,597	18,170	-	174,810	194,577
Disposals/transfers	(2,266)	-	2,088	-	-	(178)
Depreciation charge	<u>(6,562)</u>	<u>(5,943)</u>	<u>(33,720)</u>	<u>(18,316)</u>	-	<u>(64,541)</u>
Closing net book value	<u>28,692</u>	<u>22,182</u>	<u>79,567</u>	<u>64,460</u>	<u>174,810</u>	<u>369,711</u>

At 31 December 2004

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Cost	40,596	32,038	141,141	127,400	174,810	515,985
Accumulated depreciation	<u>(11,904)</u>	<u>(9,856)</u>	<u>(61,574)</u>	<u>(62,940)</u>	<u>-</u>	<u>(146,274)</u>
Net book amount	<u><u>28,692</u></u>	<u><u>22,182</u></u>	<u><u>79,567</u></u>	<u><u>64,460</u></u>	<u><u>174,810</u></u>	<u><u>369,711</u></u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

13 PROPERTY AND EQUIPMENT (Continued)

The financial effect of the change in the depreciation method and useful lives of property and equipments as discussed in note 2.8 to the financial statements has been an increase in the depreciation charge for the year by approximately US\$5,700.

The premises improvements were carried out on the office building leased from one of the directors/shareholders for the period from 1 June 2002 to 31 May 2007. The related commitments are stated in note 21 to the financial statements.

14 OTHER ASSETS

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Interest receivables	37,905	152,643	14,835	58,984
Prepayments and deposits	34,132	137,451	13,832	54,996
Travelers' cheques	900	3,624	4,350	17,296
Others	15,578	62,735	12,007	47,739
	<u>88,515</u>	<u>356,453</u>	<u>45,024</u>	<u>179,015</u>

15 DEPOSITS FROM CUSTOMERS

(a) Analysis by category

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Savings deposits	14,862,575	59,851,589	5,242,476	20,844,085
Current accounts	9,246,719	37,236,537	7,080,873	28,153,551
Fixed deposits	1,072,599	4,319,357	587,209	2,334,743
Margin deposits	60,515	243,694	-	-
	<u>25,242,408</u>	<u>101,751,177</u>	<u>13,912,558</u>	<u>51,332,379</u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25,242,408	12,910,558	51,332,379
<u>25,242,408</u>	<u>101,651,177</u>	<u>51,332,379</u>

The margin deposits were retained by the Bank for trade line and guarantees granted to the customers.

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

15 DEPOSITS FROM CUSTOMERS (Continued)

(b) Analysis by relationship

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
External parties	25,175,615	101,382,202	12,391,237	49,267,559
Staffs	50,271	202,441	94,206	374,563
Directors/shareholders	16,522	66,534	425,115	1,690,257
	<u>25,242,408</u>	<u>101,651,177</u>	<u>12,910,558</u>	<u>51,332,379</u>

(c) Analysis by customers

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Individuals	17,712,892	71,329,816	7,022,385	27,921,003
Business enterprises	6,971,097	28,072,608	5,779,208	22,978,131
Non-government organisations	558,419	2,248,753	108,965	433,245
	<u>25,242,408</u>	<u>101,651,177</u>	<u>12,910,558</u>	<u>51,332,379</u>

(d) Analysis by resident status

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Residents	25,219,958		12,876,796	51,198,141

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Non-residents	22,450	101,560,770	33,762	134,238
	<u> </u>	<u>90,407</u>	<u> </u>	<u> </u>
	25,242,408		12,910,558	51,332,379
	<u> </u>	<u>101,651,177</u>	<u> </u>	<u> </u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

15 DEPOSITS FROM CUSTOMERS (Continued)

(e) Interest rates

Effective annual interest rates are as follows:

	2004 per annum	2003 per annum
Current accounts	0%	0%
Saving deposits	0.75%	1%
Fixed deposits	1.5% - 3%	1.5% - 3%
Margin deposits	0%	0%

16 OTHER LIABILITIES

	2004		2003	
	US\$	Riel '000 <i>(At year-end exchange rate)</i>	US\$	Riel '000 <i>(At year-end exchange rate)</i>
Withholding taxes	14,755	59,418	7,842	31,180
Interest payables	6,007	24,190	2,704	10,751
Others	26,861	108,173	15,930	63,337
	<u>47,623</u>	<u>191,781</u>	<u>26,476</u>	<u>105,268</u>

17 PROVISION FOR TAXATION

	2004		2003	
	US\$	Riel '000 <i>(At year-end exchange rate)</i>	US\$	Riel '000 <i>(At year-end exchange rate)</i>
Balance at beginning of year	40,448	162,884	297	1,181
	(59,277)			
Taxation paid		(238,708)	(8,873)	(35,279)
Current charge	<u>235,871</u>	<u>949,852</u>	<u>49,024</u>	<u>194,919</u>
Balance at end of year	<u>217,042</u>	<u>874,028</u>	<u>40,448</u>	<u>160,821</u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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18 SHARE CAPITAL

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Shares of US\$ 100 each:				
Registered	<u>13,000,000</u>	<u>52,351,000</u>	<u>13,000,000</u>	<u>51,688,000</u>
Issued and fully paid-up	<u>13,000,000</u>	<u>52,351,000</u>	<u>13,000,000</u>	<u>51,688,000</u>

Analysis of shareholders as at 31 December 2004 is as follows:

<i>Shareholder:</i>	<i>% of Ownership</i>	<i>Number of Shares</i>	<i>US\$</i>
Oknha Sam Ang	30	39,000	3,900,000
Madam Chhun Leang	30	39,000	3,900,000
Miss Sam Ang Kanika	20	26,000	2,600,000
Mr. Sam Ang Vattanac	20	26,000	2,600,000
	<u>100</u>	<u>130,000</u>	<u>13,000,000</u>

19 SUBORDINATED LOANS

In 2002, the shareholders contributed US\$170,000 to cover the amount of shortfall in the Bank's net worth as at 31 December 2002 for which the Bank has obtained approval from the Central Bank. The subordinated loans are unsecured, interest free and have no fixed term of repayment.

On 27 March 2004, the Bank's Board of Director approved the full repayment of the subordinated loans to the shareholders.

20 CASH AND CASH EQUIVALENTS

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004		2003	
	US\$	Riel '000 <i>(At year-end exchange rate)</i>	US\$	Riel '000 <i>(At year-end exchange rate)</i>
Cash	3,041,042	12,246,277	1,866,390	7,420,766
Current accounts and short-term deposits with the Central Bank	7,464,290	30,058,696	4,147,200	16,489,267
Balances with other banks	2,570,628	10,351,918	2,422,336	9,631,208
Placements with other banks	<u>8,500,000</u>	<u>34,229,500</u>	<u>5,800,000</u>	<u>23,060,800</u>
	<u>21,575,960</u>	<u>86,886,391</u>	<u>14,235,926</u>	<u>56,602,041</u>

21 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 comprise:

	2004		2003	
	US\$	Riel '000 <i>(At year-end exchange rate)</i>	US\$	Riel '000 <i>(At year-end exchange rate)</i>
Unused portion of approved credit facilities	6,378,932	25,687,959	880,444	3,500,646
Bills received under Letters of Credit	3,882,081	15,633,140	2,277,305	9,054,565
Letters of Credit	1,133,138	4,563,147	1,076,292	4,279,339
Bank guarantees	517,394	2,083,545	78,045	310,308
Collections	<u>60,237</u>	<u>242,574</u>	-	-
	<u>11,971,782</u>	<u>48,210,365</u>	<u>4,312,086</u>	<u>17,144,858</u>

All commitments and contingencies mature within three months.

b) Operating lease commitments

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

The Bank has commitments under an operating lease agreement, which expires on 31 May 2007, with a director/shareholder for the lease of land and building, as follows:

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Within one year	84,000	338,268	42,000	166,992
Between 2 to 5 years	<u>171,500</u>	<u>690,630</u>	<u>101,500</u>	<u>403,564</u>
	<u><u>255,500</u></u>	<u><u>1,028,898</u></u>	<u><u>143,500</u></u>	<u><u>570,556</u></u>

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

22 RELATED PARTY BALANCES AND TRANSACTIONS

a) Transactions

The following transactions were carried out with related parties:

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
With shareholders/directors:				
Interest expenses	1,989	8,010	1,364	5,423
Rent of land and building	66,111	266,230	49,389	196,371
Salaries and bonus	110,000	442,970	-	-
	<u>178,100</u>	<u>717,210</u>	<u>50,753</u>	<u>201,794</u>

b) Year-end balance

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
With shareholders/directors:				
Customers' deposits	16,522	66,534	396,537	1,576,631
Subordinated loans	-	-	170,000	675,920
	<u>16,522</u>	<u>66,534</u>	<u>566,537</u>	<u>2,252,551</u>

23 SEGMENT INFORMATION

Since the date of incorporation, the Bank has only engaged in commercial banking business and has operated solely within the Kingdom of Cambodia.

24 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 for a significant proportion of the Bank's financial assets and liabilities, fair values have been based on the assumptions of the Bank's directors according to the profile of the asset and liability base. In the opinion of the

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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

25 FINANCIAL RISK MANAGEMENT

The management of risk is fundamental to the financial soundness and integrity of the Bank. Risk evaluation forms an integral part of the Bank's business strategy development. The executive Committee, which is appointed by the Board of Directors, has the primary responsibility to formulate, review and approve policies on monitoring and managing risks exposures.

a) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems are 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 management.

Operational risk management entails the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed periodically to address the operational risks of its banking business. The internal audit department has been set up to formalise the compliance process of the Bank.

b) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Credit Policy to ensure that the overall objectives in the area of the lending, are achieved, i.e., the loans portfolio is strong and healthy and credit risks are well diversified. The Credit Policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with the Central Bank's Guidelines.

The Executive Committee meeting, chaired by the Chairman and President with the General Manager in attendance, is empowered to manage all credit and credit-related matters of the Bank.

VATTANAC BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

The key activities of the Executive Committee include approving credits proposals, reviewing non-performing loans and reviewing adequacy of measures taken to mitigate credit risks.

c) Market risk

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

(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 maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

25 FINANCIAL RISK MANAGEMENT (Continued)

(i) Foreign currency exchange risk (continued)

The table in note 26 to the financial statements summarises the Bank's exposure to foreign currency rate risk which included the Bank's assets and liabilities at carrying amounts, categorised by currency.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set.

The table in note 27 to the financial statements summarises the Bank's exposure to interest rate risk, which included the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(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.

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

An analysis of the assets and liabilities of the Bank grouped based on the remaining period at balance sheet to contractual maturity is provided in note 28 to the financial statements

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

26 CURRENCY ANALYSIS

Currency	US\$ US\$	KHR US\$	SGD US\$	EUR US\$	Total US\$	Total Riel' 000
At 31 December 2004						
Assets						
Cash	3,037,580	3,462	-	-	3,041,042	12,246,277
Balances with the Central Bank	10,874,215	615,075	-	-	11,489,290	46,267,371
Balances with other banks	2,486,802	-	28,409	55,417	2,570,628	10,351,918
Placements with other banks	9,100,000	-	-	-	9,100,000	36,645,700
Loans and advances to customers	12,949,533	-	-	-	12,949,533	52,147,769
Computer software	107,835	-	-	-	107,835	434,251
Property and equipment	369,711	-	-	-	369,711	1,488,826
Other assets	88,515	-	-	-	88,515	356,453
Total assets	39,014,191	618,537	28,409	55,417	39,716,554	159,938,565
Liabilities						
Deposit of bank	71,202	-	-	-	71,202	286,730
Deposits of non-bank customers	24,651,952	590,456	-	-	25,242,408	101,651,177
Other liabilities	47,623	-	-	-	47,623	191,781
Provision for taxation	217,042	-	-	-	217,042	874,028
	24,987,81	590,456	-	-	25,578,27	103,003,71

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<u>9</u>	<u> </u>	<u> </u>	<u> </u>	<u>5</u>	<u>6</u>
Net on-balance sheet position	14,026,37 2	28,081	28,409	55,417	14,138,27 9	56,934,849
At 31 December 2003						
Assets	26,211,07 4	96,355	12,562	179,717	26,499,70 8	105,362,83 8
Liabilities	13,030,96 9	103,944	-	-	13,134,91 3	52,224,413
Net on-balance sheet position	13,180,10 5	(7,589)	12,562	179,717	13,364,79 5	53,138,425

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

27 INTEREST RATE RISK

The maturity profile of assets and liabilities is as follows:

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 3 years US\$	3 – 5 years US\$	Non- interest bearing US\$	Total US\$	Total Riel' 000
At 31 December 2004								
Assets								
Cash	-	-	-	-	-	3,041,042	3,041,042	12,246,277
Balances with the Central Bank	5,000,000	-	2,300,000	-	-	4,189,290	11,489,290	46,267,371
Balances with other banks	2,542,219	-	-	-	-	28,409	2,570,628	10,351,918
Placements with other banks	8,500,000	-	600,000	-	-	-	9,100,000	36,645,700
Loans and advances to customers	803,910	1,904,048	6,306,257	1,485,752	2,449,566	-	12,949,533	52,147,769
Computer software	-	-	-	-	-	107,835	107,835	434,251
Property and equipment	-	-	-	-	-	369,711	369,711	1,488,826
Other assets	-	-	-	-	-	88,515	88,515	356,453
Total assets	16,846,129	1,904,048	9,206,257	1,485,752	2,449,566	7,824,802	39,716,554	159,938,565
Liabilities								
Deposit of bank	-	-	-	-	-	71,202	71,202	286,730
Deposits of non-bank customers	15,419,969	263,000	252,205	-	-	9,307,234	25,242,408	101,651,177
Other liabilities	-	-	-	-	-	47,623	47,623	191,781

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

Provision for taxation	-		-	-	-	217,042	217,042	874,028
Total liabilities	<u>15,419,969</u>	<u>263,000</u>	<u>252,205</u>	<u>-</u>	<u>-</u>	<u>9,643,101</u>	<u>25,578,275</u>	<u>103,003,716</u>
Total interest sensitivity gap	<u>1,426,160</u>	<u>1,641,048</u>	<u>8,954,052</u>	<u>1,485,752</u>	<u>2,449,566</u>	<u>(1,818,299)</u>	<u>14,138,279</u>	<u>56,934,849</u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

27 INTEREST RATE RISK (Continued)

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 3 years US\$	3 – 5 years US\$	Non- interest bearing US\$	Total US\$	Total Riel' 000
At 31 December 2003								
Assets								
Cash	-	-	-	-	-	1,866,390	1,866,390	7,420,766
Balances with the Central Bank	2,500,000	-	2,300,000	-	-	2,537,200	7,337,200	29,172,707
Balances with other banks	-	-	-	-	-	2,422,336	2,422,336	9,631,208
Placements with other banks	5,800,000	-	-	-	-	-	5,800,000	23,060,800
Loans and advances to customers	-	399,690	6,233,868	1,294,608	713,304	-	8,641,470	34,358,485
Computer software	-	-	-	-	-	147,435	147,435	586,202
Property and equipment	-	-	-	-	-	239,853	239,853	953,655
Other assets	-	-	-	-	-	45,024	45,024	179,015
Total assets	8,300,000	399,690	8,533,868	1,294,608	713,304	7,258,238	26,499,708	105,362,838
Liabilities								
Deposit of bank	-	-	-	-	-	157,431	157,431	625,945
Deposits of non-bank customers	5,515,637	30,000	284,048	-	-	7,080,873	12,910,558	51,332,379
Other liabilities	-	-	-	-	-	26,476	26,476	105,268

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

Provision for taxation	-	-	-	-	-	40,448	40,448	160,821
Total liabilities	5,515,637	30,000	284,048	-	-	7,305,228	13,134,913	52,224,413
Total interest sensitivity gap	<u>2,784,363</u>	<u>369,690</u>	<u>8,249,820</u>	<u>1,294,608</u>	<u>713,304</u>	<u>(46,990)</u>	<u>13,364,795</u>	<u>53,138,425</u>

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

28 LIQUIDITY ANALYSIS

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 3 years US\$	3 – 5 years US\$	No fixed Term US\$	Total US\$	Total Riel' 000
At 31 December 2004								
Assets								
Cash	3,041,042	-	-	-	-	-	3,041,042	12,246,277
Balances with the Central Bank	7,464,290	-	1,000,000	-	-	3,025,000	11,489,290	46,267,371
Balances with other banks	2,570,628	-	-	-	-	-	2,570,628	10,351,918
Placements with other banks	8,500,000	-	600,000	-	-	-	9,100,000	36,645,700
Loans and advances to customers	803,910	1,904,048	6,306,257	1,485,752	2,449,566	-	12,949,533	52,147,769
Computer software	-	-	-	-	-	107,835	107,835	434,251
Property and equipment	-	-	-	-	-	369,711	369,711	1,488,826
Other assets	-	-	-	-	-	88,515	88,515	356,453
Total assets	22,379,870	1,904,048	7,906,257	1,485,752	2,449,566	3,591,061	39,716,554	159,938,565
Liabilities								
Deposit of bank	71,202	-	-	-	-	-	71,202	286,730
Deposits of non-bank customers	24,727,204	263,000	252,204	-	-	-	25,242,408	101,651,177
Other current liabilities	-	-	-	-	-	47,623	47,623	191,781
Provision for taxation	-	217,042	-	-	-	-	217,042	874,028
	24,798,406	480,042	252,204	-	-	47,623	25,578,275	103,003,716
Net liquidity gap	(2,418,536)	1,424,006	7,654,053	1,485,752	2,449,566	3,543,438	14,138,279	56,934,849

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

VATTANAC BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

28 LIQUIDITY ANALYSIS (Continued)

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 3 years US\$	3 – 5 years US\$	No fixed Term US\$	Total US\$	Total Riel' 000
At 31 December 2003								
Assets								
Cash	1,866,390	-	-	-	-	-	1,866,390	7,420,766
Balances with Central Bank	5,147,200	-	-	-	-	2,190,000	7,337,200	29,172,707
Balances with other banks	2,422,336	-	-	-	-	-	2,422,336	9,631,208
Placements with other banks	5,800,000	-	-	-	-	-	5,800,000	23,060,800
Loans and advances to customers	-	399,690	6,233,868	1,294,608	713,304	-	8,641,470	34,358,485
Computer software	-	-	-	-	-	147,435	147,435	586,202
Property and equipment	-	-	-	-	-	239,853	239,853	953,655
Other assets	4,350	14,835	-	-	-	25,839	45,024	179,015
Total assets	15,240,276	414,525	6,233,868	1,294,608	713,304	2,603,127	26,499,708	105,362,838
Liabilities								
Deposit of bank	157,431	-	-	-	-	-	157,431	625,945
Deposits of non-bank customers	12,596,510	30,000	284,048	-	-	-	12,910,558	51,332,379
Other liabilities	-	2,704	-	-	-	23,772	26,476	105,268
Provision for taxation	-	40,448	-	-	-	-	40,448	160,821
	12,753,941	73,152	284,048	-	-	23,772	13,134,913	52,224,413
Net liquidity gap	2,486,335	341,373	5,949,820	1,294,608	713,304	2,579,355	13,364,795	53,138,425

APPENDIX I: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS

VATTANAC BANK LIMITED

APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2004

This Appendix does not form part of the financial statements.

1. LIQUIDITY RATIO, Prakas No. B700-38 AND ITS AMENDMENT

The Bank was in compliance with this Prakas requiring Liquidity Ratio of at least 50%. As at 31 December 2004, the Bank's Liquidity Ratio was 168.06%.

The Liquidity Ratio calculation is detailed in Schedule 1.

2. MINIMUM CAPITAL REQUIREMENT, Prakas No. B700-39

The Central Bank's Prakas No. B 7-00-39 on banks' minimum capital requires that all banks maintain a minimum paid-up capital of KHR 50 billion (approximately US\$13 million).

As at 31 December 2004, the bank has fully complied with the Central Bank's minimum capital requirement.

3. NET WORTH, Prakas No. B700-47

Banks must maintain their net worth at least equal to their paid up capital. As at 31 December 2004, the Bank's net worth of **US\$14,138,279** is higher by US\$1,138,279 compared to its paid-up capital of **US\$ 13,000,000**.

The Net Worth calculation is detailed in Schedule 2.

4. SOLVENCY RATIO, Parkas No. B700-46 AND ITS AMENDMENT

The Bank was in compliance with this Prakas, requiring a Solvency Ratio of at least 15%. As at 31 December 2004, the Bank maintained a Solvency Ratio of **52.45%** representing the Bank's net worth as a percentage of its risk weighted assets and off balance sheet items.

The Solvency Ratio calculation is detailed in Schedule 3.

5. FOREIGN CURRENCY TRANSACTIONS, Prakas No. B700-50

The Bank transacts its business primarily in United States Dollars ("US\$") and maintains its books of accounts in US\$. Accordingly, all currencies other than US\$ are considered as foreign currencies.

Balance sheet items

As at 31 December 2004, in accordance with Prakas No. B7-00-50, all assets and liabilities of the Bank that were denominated in foreign currency were revalued using the year-end exchange rate.

Off balance sheet items

VATTANAC BANK LIMITED

APPENDIX 1: NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2004

The Bank is required to record in off-balance sheet accounts the capital commitments arising from the purchase and sale of foreign currencies relating to spot transactions (with a completion period of two days) and forward foreign exchange transactions.

The Bank has no open foreign exchange contracts for either spot or forward transactions as at 31 December 2004. Accordingly, no capital commitments for open foreign exchange contracts were disclosed off balance sheet.

6. **CLASSIFICATION OF AND PROVISIONING FOR BAD AND DOUBTFUL DEBTS, Prakas No. B700-51 AND ITS AMMENDMENT PER Prakas B7-02-145**

The Bank is in compliance with the Central Bank's requirement, with respect to the minimum level of specific provisioning to be applied on the respective classification of loans, as defined by this Prakas

The details of the computation of the required loan provision to comply with the Central Bank's requirements are provided in Schedule 4.

7. **LARGE CREDIT EXPOSURES, Prakas No. B7-00-52**

All banks are required, under the conditions of Prakas No. B7-00-52 for the exposures, to maintain at all times a maximum ratio of 20% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

As at 31 December 2004, the Bank had no exposure with a single beneficiary where such exposure exceeded 20% of the Bank's net worth.

8. **LOANS TO RELATED PARTIES, Prakas No. B7-02-146**

The Bank was in compliance with this Prakas requiring total weighted outstanding of loans to related parties to be not more than 10% of the Bank's net worth.

9. **FIXED ASSETS, Prakas No. B7-01-186**

Fixed assets acquired by Banks for operational purposes shall remain inferior to 30% of total Bank's net worth as defined in Prakas B7-00-47. Fixed assets with no direct link to operating the Bank shall be sold not later than one year after the date they became property of the Bank.

As at 31 December 2004, the Bank's fixed assets amounting to **US\$369,711** is equivalent to 2.61% of the Bank's net worth and is therefore compliant with the fixed asset ratio required by this Prakas.

VATTANAC BANK LIMITED**SCHEDULE 1
LIQUIDITY RATIO AS AT 31 DECEMBER 2004****LIQUIDITY RATIO**

US\$

NUMERATOR**1. Treasury balance****- Debit items**

- Cash and gold	3,041,042
- Deposits with the Central Bank (excluding statutory and reserve deposits)	8,470,821
- Deposits with banks	11,074,112
- Portion of lending with not more than one month to run	<u>562,567</u>
	<u>23,148,542</u>

Less :**- Credit items**

- Sight accounts maintained with the Central Bank, banks or financial institutions	(71,202)
- Borrowings from the Central Bank with not more than one month to run	<u>-</u>
	<u>(71,202)</u>

Net balance – Lender position

2. Lending with not more than one month to run (exclude loans to customers with no maturity)	-
3. Treasury bills with not more than one month to run	<u>-</u>

TOTAL NUMERATOR (A)23,077,340**DENOMINATOR**

1. 80% of FD & CD having not more than one month to run	470,689
2. 50% of FD & CD having more than one month to run	245,122
3. 50% of savings deposits	7,431,287
4. 60% of demand deposits	<u>5,584,341</u>

TOTAL DENOMINATOR (B)13,731,439**LIQUIDITY RATIO**168.06%

VATTANAC BANK LIMITED

SCHEDULE 1

LIQUIDITY RATIO AS AT 31 DECEMBER 2004

VATTANAC BANK LIMITED**SCHEDULE 2****NET WORTH AS AT 31 DECEMBER 2004**

<u>NET WORTH</u>	<i>US\$</i>
Paid up capital	13,000,000
Reserves other than revaluation	-
Premiums related to capital	-
Provisions for general banking approved by the Central Bank	-
Audited after tax profit (loss) - latest financial year	943,484
Retained earnings from prior years	194,795
Other items approved by the Central Bank	-
Total (A)	<u>14,138,279</u>
<i>Less :</i>	
Unpaid portion of capital	-
Advances and loans to shareholder or manager and their next of kin, net	-
Treasury stocks (holding of own shares)	-
Accumulated loss brought forward	-
Loss incurred for the period	-
Intangible assets including formation expenses	-
Provisions to be constituted for doubtful debts and securities	-
Total (B)	<u>-</u>
Base Net Worth (C) = (A – B)	<u>14,138,279</u>
Revaluation surplus approved by the Central Bank	-
Subordinated debts approved by the Central Bank	-
Other items approved by the Central Bank	-
Total Items to be Added (D)	<u>-</u>
<i>Less :</i>	
Assets representing the net worth of another bank	-
Other items	-
Total Items to be Deducted (E)	<u>-</u>
Net Worth (F) = (C + D - E)	<u><u>14,138,279</u></u>

VATTANAC BANK LIMITED

**SCHEDULE 3
SOLVENCY RATIO AS AT 31 DECEMBER 2004**

SOLVENCY RATIO

			<i>US\$</i>
Numerator			
Net Worth as computed above (N)			<u>14,138,279</u>
	Assets	Weighting	
Denominator			
Total gross assets			
- Cash, gold and claims on the Central Bank	14,541,634	0%	-
- Assets collaterals by deposits	-	0%	-
- Claims on sovereign rated AAA to AA-	-	0%	-
- Claims on sovereign rated A+ to A-	-	20%	-
- Claims on banks rated AAA to AA-	6,798,657	20%	1,359,731
- Claims on sovereign rated BBB+ to BBB-	-	50%	-
- Claims on banks rated A+ to A-	2,022,907	50%	1,011,454
- Other assets	<u>16,353,356</u>	100%	16,353,356
Total assets as reported in the balance sheet	<u>39,716,554</u>		
Off balance sheet items			
- Full risk	4,865,674	100%	4,865,674
- Medium risk	6,477,362	50%	3,238,681
- Moderate risk	628,746	20%	125,749
- Low risk	-	0%	-
	<u>11,971,782</u>		
Denominator (D1)			<u>26,954,645</u>
SOLVENCY RATIO: (S = N / D1)			<u>52.45%</u>

VATTANAC BANK LIMITED**SCHEDULE 4****NBC'S PROVISION REQUIREMENT AS AT 31 DECEMBER 2004**

The details of the Central Bank's required provision following its mandatory specific provisioning requirements based on the prescribed credit classification of loans are provided in the following table:

As at 31 December 2004	Total US\$	Rate	the Central Bank's benchmark US\$	the Bank's provision US\$
Standard	12,949,533	0%	-	-
Substandard (overdue from 91 days to 180 days)	-	10%	-	-
Doubtful (overdue from 181 days to 360 days)	-	30%	-	-
Loss (overdue more than 360days)	-	100%	-	-
	<u>12,949,533</u>		<u>-</u>	<u>-</u>

VATTANAC BANK LIMITED

SCHEDULE 5

COMPUTATION OF OTHER RATIOS AS AT 31 DECEMBER 2004

1. Non-performing loans to total loans (A/B)	0%
A - Non-performing loans	-
B - Total loans	12,949,533
2. Non-performing loans to total assets (A/B)	0%
A - Non-performing loans	-
B - Total assets	39,716,554
3. Return on assets (A/B)	2.38%
A - Net income	943,484
B - Total assets	39,716,554
4. Return on equity (A/B)	6.67%
A - Net income	943,484
B - Equity	14,138,279
5. Interest margin to gross income (A/B)	57.52%
A - Interest margin	1,283,754
B - Gross income	2,231,831
6. Non-interest expense to gross income (A/B)	53.51%
A - Non-interest expense	1,194,303
B - Gross income	2,231,831
7. Net worth to assets (A/B)	35.60%
A - Net worth	14,138,279
B - Total assets	39,716,554
8. Quick ratio (A/B)	1.00times
A - Quick assets	24,283,918
B - Current liabilities	25,278,448
9. Times interest earned ((A+B)/C)	13,540%
A - Profit before tax	1,179,355
B - Interest expense	94,044
C - Interest expense	94,044
10. Debt-equity ratio (A/B)	1.81times
A - Total liabilities	25,578,275
B - Equity	14,138,279
11. Debt ratio (A/B)	64.40%
A - Total liabilities	25,578,275
B - Total assets	

VATTANAC BANK LIMITED

SCHEDULE 5

COMPUTATION OF OTHER RATIOS AS AT 31 DECEMBER 2004

39,716,554