

# **Sacombank**

*Serving the nations*



## **Annual Report 2010**

**SACOMBANK PHNOM PENH**

No 60, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh

Tel: (855) 23 223 422 – Fax: (855) 23 223 433

Website: [www.sacombank.com.kh](http://www.sacombank.com.kh)

## *Serving the nations*



**The year 2010 marked the successful completion of Sacombank's 2001 – 2010 Growth Strategy and built the foundation for Regional Expansion for the new decade (2011- 2020).**

In the 2010 Annual Report, we are privileged to present Sacombank's achievements in the last 19 years and would also like to take this opportunity to set out our plans and projections for the future. In reviewing Sacombank's progress, the Bank is highly motivated by the trust, interest and strong support bestowed upon it from shareholders, investors, customers and both domestic and international strategic partners.

To realize the guiding principle "For the community", Sacombank implemented the joint initiative of "Local development" to steer its action plan comprising of four perspectives:

- (1) Immediate financial capacity enhancement;
- (2) Network expansion;
- (3) Human resource development; and
- (4) Investment in technology.

The four perspectives and Local development for the community principle were selected as the theme for 2010 Annual Report. They will be elaborated in the introduction pages to Sacombank's eight operational locations in Indochina, including seven in Vietnam and the international market comprising Laos and Cambodia.

Throughout the reports of the Board of Management, Board of Supervisors and the Board of Directors, we shall introduce the concept of an "Integrated organization, Centralized management and Decentralized administration", which has guided Sacombank's professionalism and prepared the bank for international expansion.

In addition, for this year's annual report, Sacombank uses recycled printing paper from responsibly-managed sources for the protection of the ecology and environment. Thus, the Bank commits to contributing to the prosperity of the country.

## TABLE OF CONTENTS

02 Message from the Board of Directors

### SACOMBANK PROFILE

06 Vision – Mission – Core Values

### GROWTH EVALUATION AND DEVELOPMENT STRATEGY

10 An Evaluation of the 2001–2010 Growth Strategy

12 Major Financial Indicators

13 “2011-2020 Development Strategy” for Regional Expansion

### REPORTS

18 Report from The Board of Directors

20 Report from The Board of Management

26 Report from The Board of Supervisors

### ORGANIZATION AND WORKFORCE

32 Organization Chart

34 Board of Directors

36 Board of Supervisors

38 Board of Management

40 Human Resource Policy

### EQUITY OWNERSHIP STRUCTURE

46 Equity Ownership Structure

47 Profit Distribution and Dividend Payment

48 Ownership Structure

49 Investor Relations Activities

### FINANCIAL STATEMENTS

54 Internal Audit Evaluation

### ADDITIONAL INFORMATION

58 Contributing to the Development of Communities

60 National and International Awards

### SACOMBANK PHNOM PENH PROFILE

66 Brief History

67 Branch Structure - Organisation Chart

68 Independent Auditor's Report

70 Income Statement

71 Balance Sheet

72 Statement of Changes in Head Office's Equity

73 Cash Flow Statement

74 Notes to the Financial Statements

## Message from the Board of Directors



In preparation for growth over the next five years, we shall channel our efforts on improving operational efficiency, management capacity upgrading, resolving inadequacies and improving the bank's adaptability and competitiveness during this period.

### **Dear shareholders, strategic partners and potential investors,**

Despite a slow and unstable recovery of the global economy and imbalances of the Vietnam economy, Sacombank is pleased to report an average growth rate of 25-30% in Vietnam. It has complied with all solvency indicators and met the regulations of the State Bank of Vietnam. The bank has also accomplished all the targets set out for the period 2001 - 2010, achieving an average annual growth of 64%.

We are proud of Sacombank's consistent demonstration of diligence. Besides the increase in chartered capital, from VND190 billion in early 2001 to VND9,179 billion as at 31 December 2010, the Bank has also accumulated over VND4,600 billion in capital surplus and provision funds, not to mention accumulated assets of approximately VND2,500 billion (subject to re-evaluation).

We are proud that Sacombank has kept its head above the global economic downturn and saw it as an opportunity for introspection, practicing the maxim of "preventing and pushing forward" through action plans as below:

- The "improve by learning" movement has greatly benefited staff in upgrading their skill sets and increasing their adaptability. The Sacombank Golden Idea competition has contributed innovative ideas to enhance the bank's uniqueness and increased its competitiveness.
- The bank's re-engineering process was accelerated by refining and sharpening its vision, mission, core values, business strategy and management regulations, as well as re-allocating resources and rebuilding the company's culture.

- The bank implemented several projects, using IT to standardize, digitize and automate business processes to increase work efficiency. It successfully carried out the data warehouse project and other reform plans, such as quality improvement program, risk management, internal audit, sales tactics update. These were implemented to encourage staff motivation, dynamism and innovation.
- Using experiences gained and weaknesses identified in the implementation of 2001-2010 Plan, Sacombank has formulated the “2011-2020 Growth Strategy” with clear objectives and resolutions.

In the recent past (2008-2010), Sacombank experienced a slower growth compared to the earlier seven years. However, the bank overcame the economic slowdown and considered it as an opportunity for the future expansion.

During the initial implementation of the 2011–2020 Growth Strategy, Sacombank and most Vietnamese enterprises encountered unexpected fluctuations of the interest rates, sudden foreign exchange movements and inflationary trend. It is anticipated that uncertainties in the global economy have long lasting impact on the Vietnam economy.

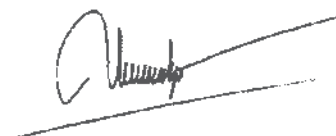
Nevertheless, the Board of Directors will do its best to fulfill its responsibilities to customers, shareholders, strategic partners, potential investors and community. In the spirit of “Preventing and pushing forward”, the Board is committed to comply strictly with the Government and State Bank Vietnam’s regulations to curb inflation. Meanwhile, the

Board will make greater efforts to achieve the targets that were set out at the shareholders’ meeting on 02 April 2011. Improving adaptability and competitiveness of the bank with respect to solvent operations, effective management and sustainable growth will remain the primary focus.

As such, in preparation for growth over the next five years, we shall channel our efforts on improving operational efficiency, management capacity upgrading, resolving inadequacies and improving the bank’s adaptability and competitiveness during this period.

In closing, we seek the understanding and support from shareholders, strategic partners and current and potential investors that will enable and motivate us to overcome the difficulties and challenges that lie ahead.

On behalf of the Board,



**Dang Van Thanh**  
Chairman



**SACOMBANK PROFILE****General Information**

Vision – Mission – Core Values

## General Information

**Contact name**

SAIGON THUONG TIN COMMERCIAL JOINT  
STOCK BANK (SACOMBANK)

**Head office**

266-268 Nam Ky Khoi Nghia Street  
Ward 8, District 3, Hochiminh City (HCMC), Vietnam  
Tel: (84 8) 39 320 420 – Fax: (84 8) 39 320 424  
[www.sacombank.com.vn](http://www.sacombank.com.vn)

**Incorporation**

Sacombank was incorporated on 21 December 1991, with a chartered capital of VND3 billion. It was established through the merger of Go Vap Economic Development Bank and three community credit institutions: Tan Binh, Thanh Cong, and Lu Gia

**Chartered Capital**

VND9,179,230,130,000 (as at 31 December 2010)

**Article of Incorporation number**

05/GP-UB dated on 3 April 1992 by the People's Committee of Hochiminh City

**Business license number**

059002 dated on 13 January 1992 by Department of Planning and Investment of Hochiminh City (32<sup>nd</sup> registration on 16 November 2010)

**Tax code**

0301 103 908

**Account number**

453100804 (Bank name: State Bank of Vietnam - HCMC Branch)

**SWIFT code**

SGTTVNVX



**SACOMBANK PROFILE**
**General Information**

Vision – Mission – Core Values

**Scope of Operations**

Sacombank is allowed to conduct:

- Deposit taking, receiving foreign capital, funding business capital requirements;
- Local and international payments, transactions, and funds transfers;
- Trading and investing in gold, foreign currency, and securities;
- Other services offered by foreign banks in line with those allowed by the State Bank of Vietnam.

**Operation network**

366 transaction offices in Indochina (as of 31 December 2010)

**Number of Employees**

8,507 employees (as of 31 December 2010)

**Share Listing**

Sacombank was listed on the Hochiminh City Stock Exchange (HOSE) on 12 July 2006.

Stock category: Common shares

Stock code: STB

Par value: VND10,000 per share

Number of shares: 917,923,013  
(as of 31 December 2010)

Number of shareholders: 74,132 individuals and organizations (as of 17 January 2011)

**Foreign strategic partners**

Dragon Financial Holdings (UK)

ANZ Bank

**Auditor**

PricewaterhouseCoopers (Vietnam) Limited  
Address: 4th floor, Saigon Tower, 29 Le Duan Street, District 1, HCMC, Vietnam  
Tel: (84 8) 38 230 796 – (84 8) 38 251 947  
www.pwc.com

**Shareholder Relations**

Share capital management unit  
14<sup>th</sup> floor, 266-268 Nam Ky Khoi Nghia, Ward 8, District 3, HCMC, Vietnam  
Tel: (84 8) 39 320 420 (Ext: 2523)  
Fax: (84 8) 39 320 392

**Investor Relations**

External Affairs Department  
5th floor, 266-268 Nam Ky Khoi Nghia Ward 8, District 3, HCMC, Vietnam  
Tel: (84 8) 38 469 516 (Ext: 1653, 1654)  
Fax: (84 8) 39 320 646



**SACOMBANK PROFILE**

General Information

**Vision – Mission – Core Values**

## Mission

---

**To maximize value for customers, investors and staff and upholding our highest commitment to corporate social responsibility.**

## Vision

---

**To be the first modern multi-fuctional retail bank in Indochina.**



**SACOMBANK PROFILE**

General Information

**Vision – Mission – Core Values**

## Core Values

### Pioneering

Sacombank will lead or initiate new growth areas when faced with challenges.

### Novel, Dynamic and Innovative

Sacombank believes that change is a constant and is also the force of development. The bank must adopt new and creative thinking that will dynamically transform challenges into opportunities.

### High Commitment

Sacombank commits that all staff will continuously improve, by means of training and development to ensure that they consistently exercise professionalism in providing the highest service quality to its customers and partners.

### Social Responsibility

Sacombank lives by its slogan of “Serving the Nations” and that corporate social responsibility is deeply embraced by every staff member.

### Making a Difference

Sacombank believes in making a difference in all aspects of its operations thereby creating optimal competitive advantage.



## HOCHIMINH CITY IN THE SOUTH



Sacombank is one of the first joint stock banks in Hochiminh City. It affirmed its pioneer role by providing high quality financial services and understanding the local market to become the largest economic and financial entity in Indochina.

### Competitive Advantage

- Serving niche markets: Women Entrepreneur (Eighth of March Branches) and Chinese Community (Hoa Viet Branches);
- Premier Banking for High Net worth Individuals: Visa Platinum Cards, UnionPay, Asset Management.

### Network Advantage

As at 28 February 2011, its network coverage in Hochiminh Region is 114 transaction points, including 1 transaction department, 16 branches and 97 sub-branches.



[Platform for growth and development]



*Central Business District, Ho Chi Minh City*

**GROWTH EVALUATION AND DEVELOPMENT STRATEGY**
**An Evaluation of the 2001–2010 Growth Strategy**

Major Financial Indicators

“2011-2020 Development Strategy” for Regional Expansion

## An Evaluation of the 2001–2010 Growth Strategy: Acceleration

Upon completion of the last lap of a 10-year Growth Strategy (2001–2010), it is time for Sacombank to review its performance and plan for the future.

The last decade saw major upheavals in international economics, politics and society. The most dramatic was the global financial crisis that sparked off in the United States in 2007. The economic crisis resulted in widespread recession, inflation and rising public debts especially in the European continent. The aftershocks of that crisis still lingered on during 2010.

Despite the difficult economic conditions, Sacombank managed to attain significant achievements through innovation, dynamism and determination in its strategy implementation.

### ACHIEVEMENTS

The 10-year Growth Strategy was endorsed by Decision 193/2001/QĐ/HDQT and that Sacombank achieved all planned objectives with an average growth rate of an average of 53%-64%.

- ▶ **Total assets:** Compared to 2001, the total assets have increased by 45 times to VND141,799 billion at end 2010. Growing 54.7% pa, it is 17 times faster than the industry average. The asset growth far exceeded its target of 20-22%. Also, there is a higher percentage of earning assets (from 76.5% in 2008 to the present 83%).
- ▶ **Chartered capital:** In order to improve operational efficiency, achieve sustainable growth, gain shareholders' trust and customer loyalty and to enhance its brand reputation, the bank increases its chartered capital by an average growth of 53.7% pa. Its chartered capital moved up from VND190 billion in 2001 to VND9,179 billion in 2010, an increase of 48 times, that exceeded the industry's 15-times multiple.
- ▶ **Funding:** Sacombank attained an average funds growth of 54.4% pa, which is more than twice of the industry (24% pa). It exceeded the planned target of 20-22% pa.
- ▶ **Loans:** In the past decade, Sacombank's average loan growth was 53.1% pa-twice the industry rate (at 27% pa). Also, the bank controlled credit quality effectively. It has the lowest percentage of bad debts (less than 1%) compared to the industry's 2.5% by the end of 2009 and 2010 and 2.13% in 2008.
- ▶ **Financial performance:** Sacombank took advantage of available opportunities and applied its resources to create operational growth thereby increasing its average annual profit before tax by 64.2%.
- ▶ **Solvency and safety:** With a view to expand regionally in the next 10 years, Sacombank has maintained safe operational standards and in compliance with international benchmarks since 2007. Despite difficulties by the second half of the decade, Sacombank met all financial solvency ratios in accordance with the provisions of Circular 13/2010/TT/NHNN.



**GROWTH EVALUATION AND DEVELOPMENT STRATEGY**
**An Evaluation of the 2001–2010 Growth Strategy**

Major Financial Indicators

“2011-2020 Development Strategy” for Regional Expansion

## AREAS OF IMPROVEMENT

Sacombank endured many hardships in overcoming the economic challenges in implementing the Growth Strategy. However, both management and staff realized that it is not time to rest yet. There are still some shortcomings and further efforts must be taken to gain greater success in the future.

**Resources:** Sacombank took advantage of favorable opportunity to accelerate operational growth particularly in the total assets, chartered capital and the branch network. However, the IT infrastructure and human resource capacity have not match the rapid growth of the bank.

**Management and product development:** The IT infrastructure and human resources development have been identified as weak spots providing inadequate support to product development, as confirmed by results of market research and product evaluation. The inadequacies led to a mismatch between product features and customer needs. The Bank is currently re-organizing itself to deliver best in class banking products and services.

**Risk management:** Sacombank is working towards upgrading its risk management system to comply with international standards and in line with Vietnam’s banking industry. Currently, Sacombank is one of few commercial banks with an effective risk management system, as shown in its daily reporting of operational safety indicators related to credit, market and operation risks.

In addition, Sacombank is placing greater emphasis on risk management by conducting pre-checks and early warning system so as to mitigate the risks. In the final stage of the Growth Strategy, the bank is strengthening the Management Information System (MIS) so as to access relevant information in a timely manner. The bank continues to apply suitable risk management models of Basel II.

With the foundation laid and experience gained in the last 10 years, we are committed to taking the opportunities and overcoming the challenges to increase shareholder wealth and enhance customer and staff satisfaction. We also wish to realize the aspirations and meet the expectations of Sacombank’s founding members through effective implementation and complete attainment of objectives set out in the 2011-2020 Growth Strategy.



**GROWTH EVALUATION AND DEVELOPMENT STRATEGY**

An Evaluation of the 2001–2010 Growth Strategy

**Major Financial Indicators**

“2011-2020 Development Strategy” for Regional Expansion

## Major Financial Indicators

(Based on the Single-entity Financial Statements of Sacombank)

	2010	2009	2008	2007	2006
<b>Year-end</b>					
Total Assets (VND billion)	141,799	98,474	67,469	63,364	24,764
Equity Capital (VND billion)	13,633	10,289	7,638	7,181	2,804
Chartered Capital (VND billion)	9,179	6,700	5,116	4,449	2,089
Total Deposits (VND billion)	126,203	86,335	58,635	54,791	21,514
Total Loans (VND billion)	77,486	55,497	33,708	34,317	14,539
Distribution network (Number of transaction points)	366	320	247	207	159
Number of Staff	8,507	7,200	6,016	5,419	3,806
<b>For the Year</b>					
Total Income	12,774	8,489	8,377	4,537	1,996
Total Expenses	10,348	6,588	7,286	3,085	1,452
Profit before tax	2,426	1,901	1,091	1,452	543
Profit after tax	1,799	1,484	973	1,280	408
Earnings per share (VND)*	2,422	2,771	1,869	2,732	2,226
<b>Financial ratios</b>					
Capital Adequacy Ratio (CAR) (at least 9%)	9.97%	11.41%	12.16%	11.07%	11.82%
Loans/Assets	54.64%	56%	50%	54%	59%
Loans/Deposits	61.4%	64%	57%	63%	68%
Non-performance Loan (NPL)	0.52%	0.69%	0.62%	0.24%	0.72%
Overdue Debts/Outstanding Loans	0.56%	0.88%	0.996%	0.39%	0.95%
Non-interest income/Total operating income	30%	41%	57%	51%	33%
Operating expenses/Total expenses	18.78%	22%	15%	23%	27%
Earnings assets/Total assets	85.64%	85%	82%	85%	79%
Return on Equity (ROE)	15.04%	16.56%	13.14%	25.64%	17.41%
Return on Assets (ROA)	1.5%	1.79%	1.49%	2.91%	2.08%

\* Based on the Consolidated Financial Statements of Sacombank

**GROWTH EVALUATION AND DEVELOPMENT STRATEGY**

An Evaluation of the 2001–2010 Growth Strategy

Major Financial Indicators

“2011-2020 Development Strategy” for Regional Expansion

## “2011-2020 Development Strategy” for Regional Expansion

### I. GROWTH TREND OF THE VIETNAM BANKING SECTOR

Vietnam is committed to the ascension roadmap of the World Trade Organization (WTO) in the banking and finance sector. Given that Vietnam’s banking industry is still in its infancy and the country has a young population, Vietnam’s banking market has much potential for development. As such, there is likely to be increased competition and banks need to review their growth plans and future role.

There is a trend for banks to differentiate themselves by specializing in retail, wholesale, microfinance, consumer lending and investment banking. Depending on its strengths, each bank will focus and delve into a defined growth model to tap its full potential. In turn, this will increase its market share and reduce its expenses and optimize its profits.

Although there will be more participants with a heightened competition in the financial market, the market itself will also expand as the economy develops. Thus, it is believed that there is room for growth in retail banking. However, poor technological infrastructure, low labor productivity and basic product offerings are obstacles for domestic banks. Banks must therefore develop clear objectives for retail banking, capital enhancement strategy, improving IT infrastructure, managing risks and diversifying their products and services. To be successful in the retail banking, financial institutions should build their core competencies to differentiate themselves and grow sustainably.

### II. OVERVIEW OF SACOMBANK’S STRATEGY

Sacombank’s 2011-2020 Growth Strategy will continue with its vision of “becoming the leading Retail Bank in the Region” and operate with EFFICIENCY, SOLVENCY AND SUSTAINABILITY.

With such a vision, coupled with the mission of “continuous development of multi-purpose and practical financial solutions at reasonable cost to achieve value maximization for customers and shareholders; create appropriate career paths and improve livelihoods for employees; and contribute to the development of society and the community”, the Sacombank 2011-2020 Growth Strategy has set out its five core values:

- (i) Pioneering;
- (ii) Novel, Dynamic and Innovative;
- (iii) High commitment;
- (iv) Social Responsibility; and
- (v) Making a difference.

### III. STRATEGIC OBJECTIVES

Based on its vision of “becoming the leading Retail Bank in the Region”, Sacombank has developed several objectives, each with specific solutions and roadmaps:

#### 1. Human resources strategy

The Bank plans to have 13,000 employees in 2015. Therefore, it will:

- Increase the employment of staff with appropriate capacity;
- Identify and groom current staff in preparation for promotion and succession;
- Prepare recruitment and training policies to stabilize the number of staff employees and maintain the attrition rate below 10% per year.

#### 2. Banking technology strategy

IT plays a significant role in expanding operations. Based on the development pathway of a modern bank, Sacombank shall implement a strong IT strategy over the next 10 years, in order to:

**GROWTH EVALUATION AND DEVELOPMENT STRATEGY**

An Evaluation of the 2001–2010 Growth Strategy

Major Financial Indicators

“2011-2020 Development Strategy” for Regional Expansion

## “2011-2020 Development Strategy” for Regional Expansion

(continuation)

- Improve workforce productivity and provide a range of product and services of international standards, through the use of advanced technology (that is, continuous improvement and upgrading of the T24 core banking system);
- Improve the bank’s competitiveness and management capacity by implementing the remaining features of the core banking system and data warehouse, and continuous development of other technology projects (excluding the T24 System). The MIS shall be improved to support decision-making and implementation of the growth strategy as well as to scale up organizational performance.

### 3. Financial strategy

In the next 10 years, Sacombank shall:

- Enlarge the capital base. Accordingly, the Basel T1 shall be increased by 15%-20% per annum and T2 capital shall be applied to seek growth;
- Increase total assets by an average of 15%-20% per annum;
- Grow Profit before tax by an average of 17%-20%;
- Increase ROE (Profit after tax/Average Shareholders Equity) to 15%-17%;
- Increase ROA (Profit after tax/Average total assets) to 1.5%-1.7%.

### 4. Channel strategy

Sacombank aims to extend its branch network to 600 transaction points nationwide by 2020. Apart from Laos and Cambodia, the bank will also consider expanding to Malaysia, Singapore, the United States of America, Australia, Europe and other Southeast Asian countries.

### 5. Business strategy (funding and lending)

Business approach in the next 10 years:

- Total funding shall grow by an average of 15%-18% per annum in 2011-2020. Domestic funding shall represent 65%-85% of the total fund raised;
- Total loans shall grow by an average of 18%-20% per annum during 2011–2020.

### 6. Product and service strategy

- Focusing on retail banking product and services, with a gradual increase in fee based income. The ratio of total fee and commission income to total income shall reach an average of 12%-18% per annum within 2011-2020;
- Satisfying customers’ needs in retail banking and provide the market with reasonably priced financial product packages by cross-selling with partners and member companies of the Sacombank Group;
- Maximizing customers’ satisfaction by assuring product and service quality at home and abroad;
- Developing unique products and services to bring in operational effectiveness and improved competitiveness;
- Developing new services such as derivative products, structured products, debt instrument products among others.

### 7. Management strategy

- Improving Corporate Governance by using an advanced management model;
- Steadily developing the organization, human resources structure and operational model;

**GROWTH EVALUATION AND DEVELOPMENT STRATEGY**

An Evaluation of the 2001–2010 Growth Strategy

Major Financial Indicators

**“2011-2020 Development Strategy” for Regional Expansion**

- Integrating Headquarters and transaction points for an effective forecasting system;
- Developing an advanced and professional risk management system in accordance with international standards;
- Improving internal audit process in accordance with international standards.

With the achievements obtained in the last 19 years, particularly outstanding results in the implementation of the 2001-2010 Development Strategy, Sacombank has the confidence to overcome future challenges and to fulfill the objectives stated in the “2011-2020 Growth Strategy”, in keeping to the Group’s maxim of EFFICIENCY, SOLVENCY, SUSTAINABILITY.

Sacombank will also continue to expand its partnerships, alliances and affiliations at home and abroad in order to become A LEADING MODERN AND MULTI-PURPOSE RETAIL BANK IN THE REGION and contribute to the development of the Vietnamese economy.





## HANOI CITY IN THE NORTH



Sacombank set up its first branch in Hanoi in 1993. By streamlining the branch operations in Hanoi and Hochiminh City, it helped Sacombank to start the first remittance service. The services reduced physical cash payments between the two largest cities of Vietnam. After 17 years in operation, the Sacombank brand is now known by its extensive coverage in the banking sector and multi-product lines to meet the growing demands of the biggest economic center in the north.

### Competitive Advantage

Payment service, loans to small and medium size enterprises (SMEs).

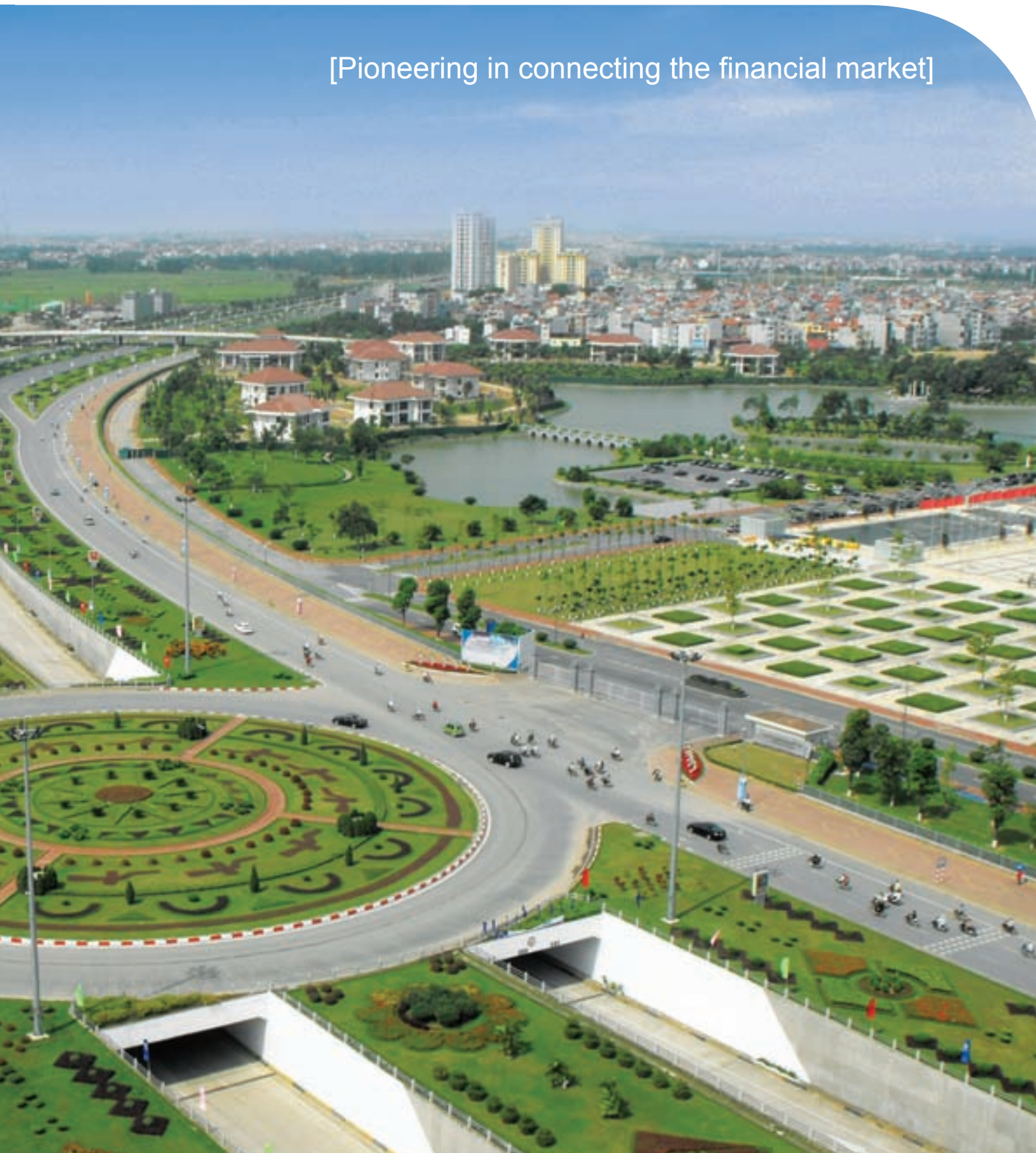
### Network Advantage

As at 28 February 2011, there are 41 transaction points in Hanoi Region, including 8 branches and 33 sub-branches.





[Pioneering in connecting the financial market]



*Thang Long Highway, Hanoi*



**REPORTS**
**Report from The Board of Directors**

Report from The Board of Management

Report from The Board of Supervisors

## Report from The Board of Directors



The year 2010 ended with a slow recovery of the global economy. There were nervous financial markets, natural calamities and political upheavals. In Vietnam, we faced economic uncertainties, resulting from several interest rate changes, exchange rate fluctuations and inflationary tendencies created by the 2008 global financial crisis.

Nevertheless, the scale of its operations, management experience, energy and adaptability and the efficient execution of the strategy of defense and attack were its competitive advantage. In the end, the four-pronged approach to implement the “2001-2010 Growth Strategy” enabled the bank to succeed in meeting almost all targets for 2010. The bank also met all financial risk and solvency ratios, as stipulated by the State Bank. Over a 10-year period, the bank grew by 64%.

As Sacombank’s pillar of strength, the Board of Directors drew their wisdom from their 19-year experience and from past adversities, to implement the actions in 2010:

1. Applied its four-pronged approach, which included:
  - Increasing its financial capacity rapidly;
  - Expanding the branch network;
  - Enhancing human resource capacity;
  - Modernizing banking technology to meet the targets of the “2001–2010 Growth Strategy,” ensuring stable operations, effective management and sustainable development in line with State Bank Vietnam’s regulations and Sacombank’s expectations.
2. Improved Sacombank’s adaptability and competitiveness through process re-engineering of the systems, resource reallocation and culture. The bank undertaken project relating to workforce productivity, work performance, business performance, management capacity and customer service delivery. All these projects were re-aligned with IT systems to build a stronger operations thereby improving its standardization and integration capability.

**REPORTS**
**Report from The Board of Directors**

Report from The Board of Management

Report from The Board of Supervisors

3. Believing that “Tomorrow’s profitability depends on today’s analysis and forecasting and research and development capacity”, Sacombank set up a R&D Committee to obtain valuable data and results that can be drawn from analysis, forecasting and research and development. The bank researched on employee incentives to stimulate motivation, passion, creativity and innovation. It promoted Operation Quality Improvement Program and Sale Promotion programs.
4. The bank focused on improving and implementing policies and tools for inspection, control, internal audit and risk management. Credit risk management was strengthened through improved credit policies, overdue debt prevention and settlement. Notably, it promoted and applied the regional management model to eight regions to manage and operate its extensive network of offices in Indochina.
5. Through the implementation of the “2001-2010 Growth Strategy”, the Board of Directors is satisfied with the enhanced effectiveness and stability of Sacombank’s operations. Although there was slower growth in the last three years, the bank’s overall growth rate and business performance have been assured to grow, with an average annual growth rate of 64% for the past ten years.
6. The review of implementation effort in the 2001-2010 Plan, the Board of Directors and the Board of Management identified Sacombank’s weaknesses. They were operational quality development and system integration. The bank shall formulate solutions to correct these inadequacies in the future to strengthen its position in the domestic and regional markets.

As the bank begins its implementation of its plans, Vietnam is facing the possibility of a higher-than-expected inflation. This is a challenge that will affect its implementation plans in 2011.

Therefore, the Board of Directors has prudently made a decision to strictly comply with the Government’s monetary-tightening policy to curb inflation of Vietnam’s commercial banks, including Sacombank. Nevertheless, in the year 2011, it is still necessary to continue investing in re-engineering, modernization of the operational system, management tools, and business processes. These initiatives will provide the necessary stimulants to employees’ motivation, creativity and innovation, enabling key milestones to be achieved. At the same time, it is to build a stronger foundation for rapid growth in a sustainable manner in future. With the financial and monetary markets of Vietnam, Cambodia and Laos deemed to have great potential, the bank is confident that it will achieve greater heights.

Sacombank enjoys many competitive advantages, such as a solid financial capacity, extensive branch network governed by a new and dynamic management team, an advanced core banking system and the motivation to learn and grow. With the ambition to become the region’s leading retail bank and leveraging on the valuable experience gained from successful implementation of major policies and plans in the past decade, the Board of Directors is confident that Sacombank can fulfill or even surpass the objectives in the 2011 Plan. The Board also believes that the Bank can successfully implement the growth objectives planned for 2011-2015.

**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors

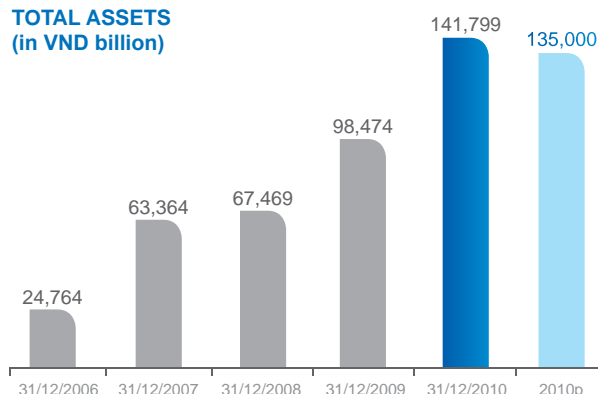
# Report from The Board of Management

## I. SUMMARY 2010

### 1. Economic Overview

In 2010, the Vietnamese economy has its own set of challenges: (i) unsustainable macroeconomic balance due to low economic growth; (ii) capricious changes in prices of goods and services and a high risk of inflation; (iii) reduction of foreign exchange reserves; (iv) depressed stock markets; (v) deficits in trade balance and balance of payments that created pressure on the USD/VND exchange rate; (vi) public debt exceeding the safety limit, coupled with low productivity of public investments. Moreover, natural disasters have affected livelihoods.

To cope with the challenges, the Government issued many policies and solutions, which have resulted in Vietnam maintaining its GDP growth rate at 6.78%, exceeding the planned target. Export turnover grew by 25.5% since 2009 while the trade deficit was controlled at 17.3% of the export turnover. This was lower than the expected 20%. The state revenue was 9.3% higher than estimated while the state expenditures were controlled at 98.4% of the budget. The social investment amount increased by 17.1% from 2009, equal to 41.9% of GDP. Overall in 2010, the total funding and loans of the banking sector increased by 27.2% and 29.8% respectively. The total payment facilities increased by 25.3%.

**TOTAL ASSETS**  
(in VND billion)


funding sources through secondary markets. The dependence on local transactions was gradually reduced through Letters of Credit (L/C) with long-term refinancing at reasonable interest rates.

On 31 December 2010, its total funding increased by 46% from late 2009 and achieved VND126,203 billion. Of this amount, funds raised from enterprises and retail customers residents was VND103,804 billion, increased by 32%, constituting 82% of the total funding. The market share of Sacombank deposit base has grown steadily annually and reached 4.8% (at end of 2010).

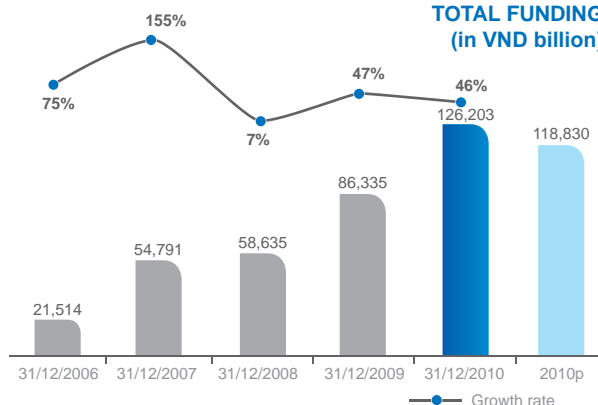
### 2. Sacombank performance in 2010

#### ► Total assets

As of 31 December 2010, the total assets topped at VND141,799 billion, a 44% increase (VND43,325 billion) compared to start of year.

#### ► Total funding

In 2010, from its close monitoring of market development and implementation of timely and flexible initiatives, Sacombank has developed and stabilized the capital funding from its customers. In addition, the Bank has been building a strong brand reputation as an international financial institution. Sacombank has diversified and increased its

**TOTAL FUNDING**  
(in VND billion)


**REPORTS**

Report from The Board of Directors

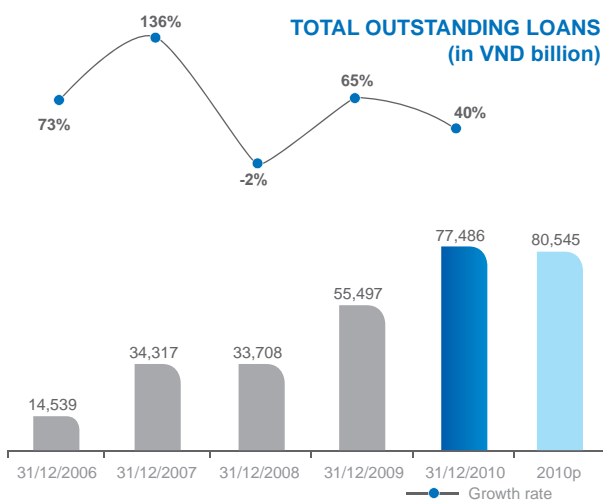
**Report from The Board of Management**

Report from The Board of Supervisors


**► Loans**

The range of Sacombank's loan services improved remarkably. By providing diverse choices that satisfy increasing consumer demands for each market niche, the bank now taps the full potential of the market. It also contributes to socio-economic development of the areas where the bank is represented.

By end-December 2010, the total outstanding loans of Sacombank reached VND77,486 billion, representing an increase of VND21,989 billion (or 40%) year-on-year. Sacombank's market share in 2010 continued to grow compared to the previous year, accounting for 3.6% of the total outstanding loans of the banking industry.





**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors

## Report from The Board of Management

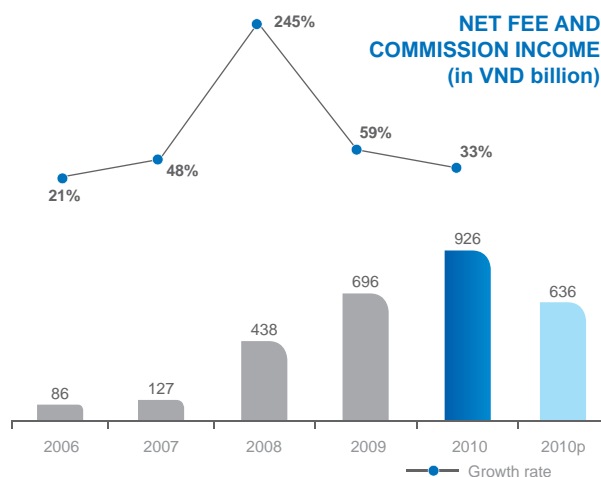
(continuation)

In addition, Sacombank enhances its credit risk management through the Overdue Debt Prevention and Settlement Committee and sub-committees. Credit quality has increased as evident in the continual drop in overdue and bad debts. As at 31 December 2010, the overdue and bad debts ratios were only 0.56% and 0.52% respectively. This is much lower than the industry average and the bank's 2010 ceiling threshold (that is less than 2%).

### ► Services

In 2010, net fee and commission income reached VND926 billion, an increase of 33% year-on-year (yoy). Of this, the percentage of fee income from International Payments was the highest. The turnover amount of international payments reached USD5,726 million, up by 37% yoy. The export payments turnover had a significant increase with a corresponding decrease in import-related payments. Remittances and Guarantees services grew strongly in the year. Remittance turnover recorded VND2,834,292 billion, up 76% yoy. The value of Guarantees reached VND8,504 billion, up 73% yoy.

These achievements were made possible by Sacombank's commitment to reduce dependence on interest incomes through various means. The bank formulated a stable income structure by improving import and export financing, accelerating guarantee services, revising current remittance products using advanced core banking technology and leveraging on its domestic and overseas network. Concurrently, e-banking products with new features were launched and the Customer Service Center was upgraded. The International Payment Center has also revised its business model to streamline administrative procedures and strengthened its advisory payment services.



### ► Card operations

In 2010, Sacombank made considerable advancements in its card operation. Using advanced technology, all card information is now stored on the system while card services are integrated to enable direct transactions through multiple channels (for example, mobile phones, Internet, ATM...). Sacombank has successfully connected to Banknet and Smartlink to provide many convenient services to customers.

Sacombank issued many new card products in 2010, such as Platinum, Family, Citimart, Vinamilk, Vien ThongA... Of these, the Co-brand Cards have attracted much attention and enabled sharing of clientele among partners. Besides, the Visa and Mastercard, Sacombank has also partnered with China's largest card organization to issue the Sacombank UnionPay card. It is hoped that the increased number of Sacombank cards issued will provide greater market leverage and thus increase fee income.

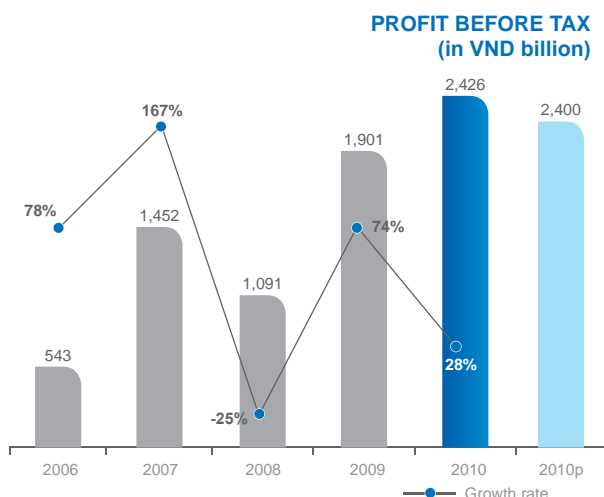
A total of 279,674 cards were issued in 2010, a 94% increase yoy. As of 31 December 2010, the total number of cards in circulation increased to 590,036, of which 81% are debit cards, 6% credit cards and 13% prepaid cards. Total incomes from card services reached VND67 billion, up 47.5% yoy.

**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors


**► Financial results**

The bank's outstanding performance was made possible because of its ability to manage the challenges, leverage the strengths of its branch network and the ability to identify and seize opportunities effectively.

In 2010, Profit Before Tax reached VND2,426 billion, up by 28% yoy and exceeded the planned target.

**► Solvency & profitability**

In 2010, Sacombank re-shaped the Asset Liability structure and gradually improved the imbalance of tenor between the two by increasing the medium- and long-term funds, raising funds from residents, especially increasing trust funds and issuing bonds. Sacombank focuses on investments in physical facilities. Such investments were made in accordance within planned budget and also to balance short-term cost to long-term benefits.

The abovementioned measures improved profitability, stabilized liquidity and ensured solvency as evidenced by:

Ratio of earning assets to total assets was 85.64%; Average return on equity (ROE) ratio reached 15.04%; and

Return on assets (ROA) ratio was 1.50%.

**II. ADVANCEMENTS MADE IN 2010**
**► Risk management and secured operations**

In 2010, Risk management focused on three areas: credit risks, market risks and operating risks. All operations were managed and monitored closely in compliance with regulations.

Sacombank is able to identify and manage the various risks to minimize exposure. The advanced IT platform and related tools facilitated integrated risk management, from the Headquarters to the individual business units. In particular, the bank fully complied with safety standards as guided by the State Bank Vietnam Circular 13, effective from 01 October 2010.

**► Business Operations Re-engineering**

Sacombank re-engineers its operations continuously and strategically in accordance with the external environment and internal priorities and the desired level of operations. In 2010, Sacombank innovatively implemented change in its business approach to become more customer-oriented. Notably, Sacombank focused on re-designing its products and services; improving the loan portfolio quality, customer service quality; enhancing competitiveness by applying the advanced technology of its T24 core banking system; co-operating with subsidiaries and associates to launch package financial solutions; as well as increasing its overseas operations especially on foreign exchange and payment services.

**► Modernization of bank technology**

Sacombank fully implemented seven IT projects in 2010 and will launch three additional IT projects in 2011. The new projects will integrate business processes and technology capacity to create a firm foundation for promoting operating standards and corporate governance.

**► Quality management**



**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors

## Report from The Board of Management

(continuation)

Sacombank recognized that the most important role of quality management is to increase customer satisfaction. To this end, it launched many quality initiatives to improve customer service and streamlined customer service process. The initiatives have changed employees' mindset and brought positive results.

However, Sacombank has yet to revamp its quality management and create an integrated customer service delivery system. In the future, Sacombank will continue to innovate and enhance its quality management with the guiding principle of "Customer's satisfaction - Sacombank's success."

### ► Promotion of the network advantage

Sacombank had 366 transaction points (as at 31 December 2010), of which 363 are local transaction points and 3 are in neighboring countries (1 branch in Laos, 1 branch and 1 transaction office in Cambodia).

To better meet an increasing level of consumer demands, Sacombank continued to set-up after-hours banking. There are now nine after-hours transaction offices.

In growing a national branch network and regional transaction points, Sacombank's business has become effective and serves as a strong foundation for achieving higher performance within 10 years.

### ► Human resources management

By late 2010, Sacombank has a total of 8,507 employees. Despite a tight labour market, the human resource capacity was enhanced with consistent staff training and development, competitive remuneration, good management practices and a professional working environment.

Staff training was provided on an average of 2 times per employee per year. The approaches of self-learning, on-the-job training and distant learning were

provided. The bank saw continual improvements in its staff quality and have met human resource development requirements.

## III. BUSINESS PLAN IN YEAR 2011

### 1. General situation

#### ► Global economy

The global economy in 2011 is expected face more challenges. The developed economies will possibly face a range of issues, such as inflation, high public debt, high unemployment, and climatic changes. The global economy is forecasted to grow between 3%-3.1% while the Asian region has estimated a 7% growth.

#### ► Vietnam economy

The Vietnam economy achieved a high growth rate in recent years. It is unlikely to continue for the coming year. The National Assembly of Vietnam has approved the planned GDP growth rate to be around 7%-7.5% compared to 2010 with the following planned targets: total export turnover to grow 10%; a trade deficit not exceeding 18% of total export turnover; total development investment funds to be 40% of GDP; and the increase of consumer price index of below 7%.

#### ► Banking environment in 2011

Based on the local and international economic outlook, the Government and State Bank Vietnam have affirmed the need to maintain strict compliance to the fiscal policy so that target economic growth rate is attained, inflation is controlled, trade deficit is reduced and finally social stability can be assured.

At a national level, the total payments flow is expected to increase from 21% to 24%. The increase in local growth is stipulated not to exceed 20%. Interest and exchange rates shall be maintained in line with macroeconomic factors to ensure safety of the banking system and effectiveness of state management.

**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors

## Targets for Year 2011

### ► Non-financial objectives

In the year 2011, Sacombank shall channel its resources to (i) improve adaptability and competitiveness, (ii) enhance its competitiveness, (iii) strengthen and improve its service quality, and (iv) enhance operational efficiency. In order to accelerate its growth for 2011-2015, the bank shall steer its business units and staff towards capacity enhancement, creativity, self-discipline and accountability. It is aimed to provide a positive “push” and “pull” forces in the customer and product profitability and to achieve BUSINESS EFFICIENCY and SECURED SUSTAINABLE GROWTH.

### ► Key financial targets

Index	2011 Forecasts	Percentage Increase/Decrease (+/-) from 2010
Total assets	VND160,000 billion	+12%
Equity Capital	VND15,600 billion	+14%
Chartered capital	VND10,740 billion	+17%
Total raised capital from customers	VND120,000 billion	+22%
Total outstanding loans	VND90,500 billion	+20%
Profit before tax	VND2,700 billion	+12%

### ► Operational safety indicators

Capital Adequacy Ratio (CAR)	> 9%
Percentage of short-term capital granted to medium/long-term loans	< 29%
Percentage of investment in fixed assets	< 47%
Percentage of capital granted to subsidiaries	< 25%
Percentage of capital contribution and purchase of shares	< 40%
Ratio of loans to deposits	< 80%
Percentage of overdue debts	< 2.5%

**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors

# Report from The Board of Management

(continuation)

## ► Tasks and key solutions

- To continue with the re-engineering process, giving priority to the management reorganization and human resource development, to facilitate Sacombank to grow regionally and to create an engaging and friendly work environment that will improve staff productivity and market competitiveness.
- To enhance adaptability to changes in market demands, so that challenges are turned into opportunities; to enhance the role of analyzing, forecasting and evaluating the business opportunities; to quickly identify inherent risks to ensure timely mitigation and precautionary interventions could be taken.
- To leverage on the strength of the T24 core banking system, to launch quickly new initiatives to increase customer satisfaction, and at the same time to enhance management tools.
- To continually increase its financial capacity by increasing share capital to fuel growth, as well as restructure the Asset–Liability model, with the objective to increase earning assets.
- To capitalize on its competitive advantage in the local and overseas markets to improve business performance, in particular strengthening its sales force (in both quantity and quality); to promote cross-selling of products amongst member companies of the Sacombank Group to increase sales and improve financial performance.
- To innovate products and services in response to the needs, preferences and trends of the market and characteristics of each area and locality; to quickly launch e-banking products for expanding its customer base; to increase the product benefits and improve service quality that will result in increase of fee income.
- To control expenses by classifying them into different cost categories and applying cost management techniques to determine activities that need increases or reductions in the budget, thus avoiding resource wastage.
- To initiate quality management and to actively study, analyze and apply modern banking methodologies to improve financial performance.
- To understand and strictly apply regulations of State Bank Vietnam and aim to set international standards and practices; to monitor business activities to minimize risks and loss.

**REPORTS**

Report from The Board of Directors

**Report from The Board of Management**

Report from The Board of Supervisors



In the year 2010, the global economy, including Vietnam, faced many challenges. The banking sector in Vietnam was affected mainly by adverse global and local economic events, such as, rapid change of public policies and regulations of State Bank Vietnam. Despite the difficulties, Sacombank's determination and sincere efforts have enabled it to meet almost all the 2010 targets. Moving forward, the bank shall continue to set optimistic targets and implement professional management approaches that are most appropriate and that fully embrace the learning spirit and ambition in the new growth phase.

In the year 2011, it is anticipated that the banking industry will continue to face many market changes and policy challenges. However Sacombank is determined to give its best efforts, and channel its resources to fulfil the annual plan. It is foreseen the measures taken in the year shall set a solid foundation towards the success of Sacombank's growth for 2011-2020.

**REPORTS**

Report from The Board of Directors

Report from The Board of Management

**Report from The Board of Supervisors**

## Report from the Board of Supervisors



Based on macroeconomic forecast and assessments of the internal operations in early 2010, the Board of Supervisors formulated specific action plans jointly with the Board of Management and Board of Directors.

Through participation in Councils, Committees, and Board of Management meetings, the Board of Supervisors has ensured that the bank operations complies with the laws, regulations and the charter of the Bank. It developed initiatives, revised objectives, and ensure the enforcement of regulations and processes that were directed and authorized by the Board of Management and the Board of Directors. This improved the effectiveness of risk mitigation through supervision.

The Board of Supervisors has supervised and monitored the operations of local and overseas branches, the departments in the Head Office and the subsidiary companies through a three-level supervision approach: (i) Board of Supervisors, Internal Auditor, Regional Inspection and Supervision Team, (ii) Board of Supervisors in subsidiary companies, and (iii) daily and weekly reporting from the Internal Auditor. During the year, the Board of Supervisors audited branches and regional offices to evaluate their business operations and management efficiency and collected feedback on to the strengths and weaknesses of existing processes. The effectiveness of support from Regional Offices and Head Office was also assessed.

**REPORTS**

Report from The Board of Directors

Report from The Board of Management

**Report from The Board of Supervisors****Evaluation of Bank Operations****► Management**

The Board of Directors has demonstrated its capability through its Standing Committee of Directors in providing timely support to the Board of Management. The Standing Committee gave its full support on management decisions and worked closely with the Board of Supervisors for inspection and supervision of the operations for the bank and its subsidiaries.

**► Operations**

The Board of Management made excellent efforts in 2010 with constant monitoring of the market, following the guidance of the Board of Directors and implementing the assigned action plans. The management produced noteworthy financial results and met the planned targets, such as, profit before tax, total assets and branch expansion. The Board of Management worked closely with the Board of Supervisors in the inspection and supervision of operations. The management provided relevant information, reports and data for the Board of Supervisors to carry out its tasks.

**► Internal audit**

The Bank was diligent in laying the foundations of a strong internal audit and has over the years continually improve the audit process to be in line with its rapid expansion. There was an emphasis on self-checks and self-correction, and appointing Itinerant Directors and Transaction Managers to conduct checks as well. The control system comprises of risk management policies, processes and regulations, decentralization of power, levels of authorization and IT applications. The tasks of inspection and supervision were improved to attain better results. In year 2010, the bank did not face any material breaches and losses.

**Recommendations**

The scale of growth, expansion of branch network and increased number of subsidiary companies, means that the bank will need to strengthen its financial capacity and increase its borrowings from domestic and overseas financial institutions for further development, stability and effectiveness of banking operations.

To increase the operational effectiveness and productivity, human capital should be improved. This improvement will arise from having better human resource policies, including hiring of capable executives and increasing on-the-job training.

The Board of Supervisors formulated specific action plans jointly with the Board of Management and Board of Directors.



## SOUTHWESTERN REGION



The first branch in Can Tho City was set up in 2001. By 2007, Sacombank is represented in the entire region. To support rural development, the bank recruited agricultural engineers, who were later trained as lending bankers to serve the farmers, small traders, and household businesses. This idea has proven to be effective for the farming production and rural financial market.

### Competitive Advantage

Loans to small traders; funding rice export of Vinafood; and loans for aqua farming.

### Network Advantage

As at 28 February 2011, the southwestern region has 71 transaction points, including 14 branches and 57 sub-branches.



[Strategic focus on rural development]



*Rice harvesting season, An Giang*

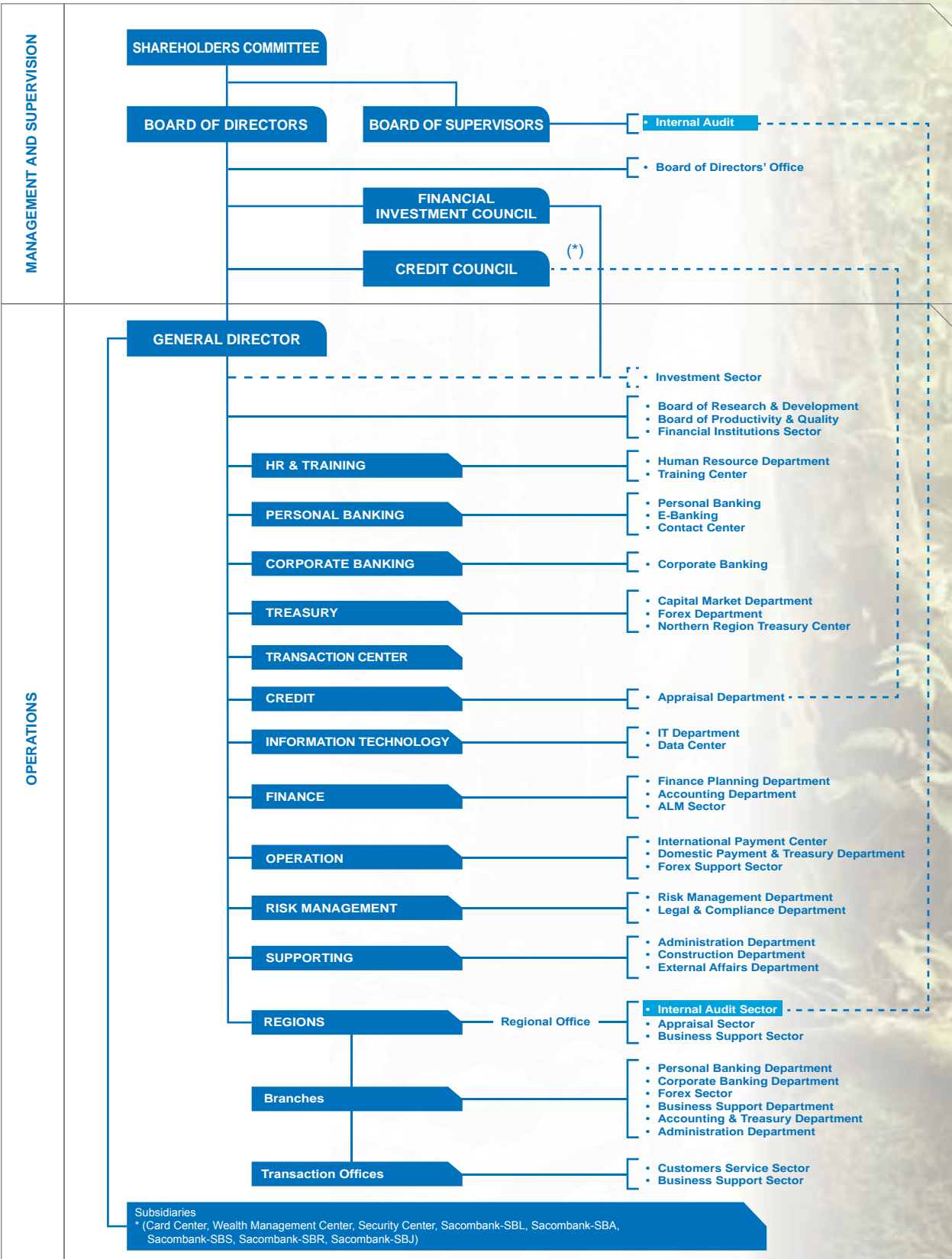


ORGANIZATION AND WORKFORCE

Organization Chart

- Board of Directors
- Board of Supervisors
- Board of Management
- Human Resource Policy

Organization Chart



(\*) Besides Credit Council, Financial Investment Council & Risk Management Committee, the Organization also includes:  
Executive Councils include: Performance Review Council, Debt Management Council, Training Council, Procurement Council...  
Management Committees include: Personal Committee, Strategy and Policy Development Committee, Reward and Compensation Committee, Overdue Loan Review Committee, IT Modernization Steering Committee, Re-engineering Committee...

**ORGANIZATION AND WORKFORCE**

**Organization Chart**

- Board of Directors
- Board of Supervisors
- Board of Management
- Human Resource Policy





**ORGANIZATION AND WORKFORCE**

Organization Chart

**Board of Directors**

Board of Supervisors

Board of Management

Human Resource Policy

## Board of Directors


**MR. DANG VAN THANH**  
Chairman\*

22 years of experience in banking and finance sector


**MS. HUYNH QUE HA**  
First Vice Chairlady \*

8 years of experience in banking and finance sector


**MR. NGUYEN CHAU**  
Vice Chairman \*

22 years of experience in banking and finance sector


**MR. DANG HONG ANH**  
Member

5 years of experience in banking and finance sector

 Served one term in Sacombank's BOD  
Chairman of Sacomreal

**MR. HUYNH PHU KIET**  
Member

3 years of experience in banking and finance sector

 Served one term in Sacombank's BOD  
Chairman of Toan Thinh Phat Architecture  
Investment Construction Joint Stock  
Company

**MR. PHAM DUY CUONG**  
Member \*

22 years of experience in banking and finance sector


**MS. NGUYEN THI MAI THANH**  
Member

5 years of experience in banking and finance sector

 Served one term in Sacombank's BOD  
Chairman and CEO of Reetech

**MR. DOMINIC T.C SCRIVEN**  
Member

24 years of experience in banking and finance sector

 Served one term in Sacombank's BOD  
Director for Dragon Capital UK and its  
subsidiaries

(\*) Standing members



**ORGANIZATION AND WORKFORCE**

Organization Chart  
**Board of Directors**  
 Board of Supervisors  
 Board of Management  
 Human Resource Policy

## Activities of Board of Directors

Members of Sacombank's Board of Director (BOD) are elected to a five-year term. Four main roles of a member of the Board are planning, organizing, leading, and supervising. Serving in the Board are Chairman, 2 Vice Chairpersons, and 5 Members (1 member works full time and the other four members work part time). There is one mandatory meeting in each quarter, and there might be additional meetings for important occasions. "Majority rule" is the Board's principle. Early in the term, the Board will elect its Chairperson by ballot voting. After the Chairperson is determined, the Board will then decide its standing members. Then, each member's roles will be assigned accordingly.

Depending on their specialties and availability, each person will be in charge of a Council or a Committee:

- For Councils, there are Credit Council, Asset Investment Council, Financial Investment Council, Reward and Disciplinary Council, Training Council, etc., those Councils make decisions base on advices from the Board of Management. The decisions are only valid after approved by the Chairman (or a Delegate).
- For Committees, there are Risk Management Committee, Strategy and Development Strategy Committee, Workforce Committee, Remuneration and Compensation Committee, Crisis Management Committee, Overdue Debt Management Committee, Modernization Committee, Restructuring Committee, etc., those committees will regularly advise to the Board matters regard planning, organizing, leading, supervising, and reviewing the implementation process.

Standing members of the Board of Directors have four meetings per month (two internal meetings with the Board of Supervisors and two meetings with the Board of Management). At the meeting, the Chairman's conclusions are monitored and supervised (base on the implementation) by the Board of Directors in the next session.

On behalf of the BOD, the Chairman makes the final decisions for any matters which arise during the interval between two meeting sessions. The decisions are recorded, and later on presented at the next meeting.

At the end of each month and each quarter, the Chairman's task is to preside over the preliminary meetings, and there will be two additional preliminary meetings (at semi annual and year end). In each meeting, he will judge the company performance, and discuss measures for the next period.

Conscious of their roles and responsibilities to shareholders, the Board of Directors, particularly the standing members are highly committed to their duties and always strive to further improve their performance in the roles. They have Sacombank's interests as their top priority and vigilantly keep themselves abreast with all operations in the organization. Serving as the fulcrum of support for the managers, the Board of Directors ensures a regulated system in the Bank through its leadership. The Board of Directors is the heart of Sacombank that plays a critical role in the Bank's achievements.

## Change of BOD's Members in 2010

On 3 March 2010, Mr. Colin Simon Mansbridge, representative shareholder from ANZ Bank, submitted cessation as a member of the BOD. This has been approved by ANZ and is now waiting for approval by the State Bank.

## Plan to Improve Effect of Banking Management

In 2010, Sacombank has continuously completed the company management, which is required and applicable to all the listed companies at the stock exchange, as per Decision No. 12/2007/QD-BTC dated on 13 March 2007 by the Ministry of Finance.

ORGANIZATION AND WORKFORCE

- Organization Chart
- Board of Directors
- Board of Supervisors**
- Board of Management
- Human Resource Policy

# Board of Supervisors



**MR. NGUYEN TAN THANH**  
Chief Supervisor

22 years of experience in banking and finance sector



**MR. DOAN BA TUNG**  
Member

22 years of experience in banking and finance sector



**MR. LE VAN TONG**  
Member

22 years of experience in banking and finance sector

**ORGANIZATION AND WORKFORCE**

Organization Chart

Board of Directors

**Board of Supervisors**

Board of Management

Human Resource Policy

**Activities of Board of Supervisors**

The Board of Supervisors is voted by the General Shareholders' Meeting, independent from the Board of Directors with the following tasks:

- ▶ Supervising operations and capital management including equity, raised capital, the compliance with policies, interest rate mechanism, the compliance to mandatory deposit; liquidity reserve to ensure the payment capacity and financial safety ratio.
- ▶ Supervising operations and capital management including equity usage, the compliance with fund management and usage, credit activities, discount and rediscount of short-term documents, credit guarantee and other kinds of guarantee for customers of capital loan and payment service; the compliance of lending policies interest rate mechanism, penalty and penalty relief.
- ▶ Supervising service business.
- ▶ Supervising investment activities.
- ▶ Supervising business results.
- ▶ Supervising and managing the Bank's assets including inspecting purchasing activities, restoring and building of fixed assets; supervising the fulfillment of the Bank's treasury safety regulation.

- ▶ Supervising the compliance with accounting policies including the regulations on financial management of the State and the Ministry of Finance issued for credit organizations; accounting rules to ensure the accuracy; appraising semi-annual consolidated financial report of Sacombank and subsidiaries in 2010 to ensure the transparency of financial situation to report during the annual shareholders' meeting.

- ▶ Supervising the internal checking and auditing system.

**Remuneration and Operational Expenses of BOD/BOS**

- Remuneration and operational expenses of the Chairman were decided by the Board of Directors based on the working schedule of each person as approved at the General Shareholders' Meeting.
- Remuneration of the Members the Board of Supervisors has been decided at the Annual Shareholders' Meeting.
- The remuneration and operational expenses for the Board of Directors and Board of Supervisors in 2010 has been approved at the Annual Shareholder Meeting at 0.4493% of profit after tax.

**ORGANIZATION AND WORKFORCE**

Organization Chart

Board of Directors

Board of Supervisors

**Board of Management**

Human Resource Policy

## Board of Management

(General Director and Deputy General Directors)



**MR. TRAN XUAN HUY**  
General Director

Mr. Tran Xuan Huy joined Sacombank in May 2000 as an R&D expert. For the period 2002 to 2007, he held various positions including the senior expert of the BOD Office, Personal Assistant to the Chairman, Director of Personal Banking, and Deputy General Director of Personal Banking. He was appointed as General Director of Sacombank in July 2007. Mr. Huy graduated with a Bachelor's degree from the University of Finance and University of Foreign Language. With more than 10 years of working experience in Sacombank, he has made significant contributions to the bank's achievements. He always encourages solidarity and creativity amongst young leaders and staff.

Besides being a successful banker, Mr. Huy also devotes his spare time to community and economic development. He has been bestowed with the title "Outstanding Saigon Businessmen" by the People's Committee of Ho Chi Minh City.



**MR. DAO NGUYEN VU**  
Deputy General Director & Regional  
Director of Ho Chi Minh City

Mr. Dao Nguyen Vu has been with Sacombank since the day of its incorporation. He has 18 years of experience in credit and risk management and has been the Deputy General Director and Regional Director of the Ho Chi Minh City branch since 2007. His previous appointments include Director of Can Tho Branch (2002) and Director of Cho Lon Branch (2005). He graduated in 1992 with a Bachelor of Economics, major in Banking.



**MS. DO THU NGAN**  
Deputy General Director, Finance

Ms. Do Thu Ngan joined Sacombank in 2005 and is the Deputy General Director and Director of Finance. Prior to this, she was the General Director of Sacombank-SBL from 2006 to 2010. She has more than five years of audit experience in Bourne Griffiths Vietnam and Deloitte Touch Tohmatsu and had worked for the Private Sector Development Fund of the International Finance Corporation (member of the World Bank Group). She graduated with a MBA from the University of Washington State (U.S.).



**MR. NGUYEN DANG THANH**  
Deputy General Director, Business

Mr. Nguyen Dang Thanh graduated with a Bachelor of Economics major in Currency Trading from the University of Economics University in 1999. He joined Sacombank in 2000 as an R&D expert. Since then, he has taken on 11 different positions in the Bank, namely Secretary of Risk Management Committee, Secretary of the Board of Directors, Head of Marketing & Product Development Department, Personnel Director, Director of Training Center, Deputy Director of Saigon Branch, Head of Planning Department, Director of Administration Department, Chief of Joint Venture Project Committee, and Director of Card Center. Mr. Thanh was appointed as Deputy Director of Personal Banking and Card Center on 01 February 2010. In January 2011, he was assigned to the Corporate Banking Division.



**MR. LUU HUYNH**  
Deputy General Director,  
Credit Evaluation

Mr. Luu Huynh joined Sacombank in 1995 and has more than 15 years of experience in financial and banking business. From 2001 to 2006, he was the Deputy Director of Tan Binh Branch and was subsequently appointed as Director of Danang Branch, followed by Director of Go Vap Branch. Prior to his current appointment as Deputy General Director of Credit Evaluation, Mr. Huynh was the Deputy General Director, in charge of the Central Region (2006) and Deputy General Director, in charge of the South-Eastern Region and Western Highlands Region (2008). He graduated with a Bachelor of Banking from the University of Banking in 1995.



**MR. PHAM NHAT VINH**  
Deputy General Director,  
Risk Management

Mr. Pham Nhat Vinh joined Sacombank in 2003. With more than 10 years of experience in law, he was appointed as Director of Supervision in 2009 and is presently the Deputy General Director of Risk Management. He holds a Bachelor of Business Law.

**ORGANIZATION AND WORKFORCE**

Organization Chart  
 Board of Directors  
 Board of Supervisors  
**Board of Management**  
 Human Resource Policy



**MR. NGUYEN MINH TAM**  
 Deputy General Director,  
 International Offices

Holding a Masters in Economics, Mr. Nguyen Minh Tam has more than 16 years of experience in banking and finance, with strong qualifications and knowledge on stock exchange and international payments. Mr. Tam joined Sacombank in 1995 and was appointed Director of Administration Department in 2002. Before taking on his present post as Deputy General Director of International Offices he was the Director of Tan Binh Branch in 2003 and Director of Corporate Banking in 2007.



**MR. LY HOAI VAN**  
 Deputy General Director, Treasury

Mr. Ly Hoai Van joined Sacombank in 2001 and was in charge of Forex Department. Prior to his current position as Deputy General Director of Treasury Division, he was appointed as Director of Treasury in 2008. Mr. Ly Hoai Van graduated with a Bachelor of Economics, major in Currency Trading in 2001.



**MS. QUACH THANH NGOC THUY**  
 Deputy General Director, Operations

Holding a BA degree with over 19 years of working experience in Sacombank, Ms. Thuy has been in charge of many important positions from branches to the headquarters. Ms. Thuy was previously Director of Corporate Banking (2008) before she assumed her current position as Deputy General Director of Operations.

**Changes to Board of Management in 2010**

Mr. Hoang Khanh Sinh - Deputy General Director (resigned on January 21, 2010)  
 Mr. Nguyen Van Thanh - Deputy General Director (resigned on January 22, 2010)  
 Ms. Do Thu Ngan - Deputy General Director (appointed on January 22, 2010)  
 Mr. Nguyen Dang Thanh - Deputy General Director (appointed on February 1, 2010)  
 Ms. Quach Thanh Ngoc Thuy - Deputy General Director (appointed on February 5, 2010)  
 Mr. Ho Xuan Nghiem - Deputy General Director (resigned on August 16, 2010)  
 Mr. To Thanh Hoang - Deputy General Director (resigned on August 23, 2010)  
 Mr. Ly Hoai Van - Deputy General Director (appointed on August 30, 2010)  
 Mr. Pham Vinh Nhat - Deputy General Director (appointed on December 1, 2010)  
 Ms. Nguyen Thi Thanh Mai - Deputy General Director (resigned on December 6, 2010)

**Rights of the Board of Management**

The remuneration for the Board of Management in 2010 accounted for 3.08% of the total salary expenses of the bank.



**ORGANIZATION AND WORKFORCE**

Organization Chart

Board of Directors

Board of Supervisors

Board of Management

**Human Resource Policy**

## Human Resource Policy

To be one of the best workplaces in Vietnam, Sacombank adopts the workforce development objective of building a professional, modern and stimulating work environment to attract, manage, retain and nurture talent”.

To improve its human resource management, Sacombank has developed a range of initiatives based on:

1. Findings from an internal analysis of strengths and weaknesses of its existing talents;
2. Opportunities and threats of the banking industry, arising from existing and potential domestic and socio-economic conditions;
3. Bank’s strategic direction of its human resources; and
4. Organizational culture and staff welfare.

### Promoting and Attracting Human Resources

Besides maintaining a competitive compensation scheme and promoting Sacombank’s brand in the labor market, the Human Resources Department (HRD) has also established collaboration with universities and colleges in Hochiminh City for direct recruitment and internships for students. Sacombank is able to formulate human resource policies, which not only increase the number of staff for its growth but also create jobs for fresh graduates. From early 2011, Sacombank strengthened its cooperation with universities by conducting recruitment exercises, training programs, scientific research programs, site visits, provision of part-time jobs for students, as well as providing banking services for students.

In 2010, Sacombank launched the Potential Trainee Program targeted at senior students at universities and colleges in Hochiminh City. Interns were selected and assigned specific job functions that were based on the interns’ specific potential. The interns will complete their graduation thesis as stipulated during the internship. All internship-related expenses were covered by the bank. Upon completion of the internship, trainees who have exhibited good performance were employed to work at the branches where they interned. The Potential Trainee Program received very favorable response from the branch network and also captured the attention of the students in Hochiminh City. In 2010, the program attracted more than 4,500 applicants, of which 600 were

**ORGANIZATION AND WORKFORCE**

Organization Chart  
 Board of Directors  
 Board of Supervisors  
 Board of Management  
[Human Resource Policy](#)

short-listed and 190 eventually selected. In 2011, despite the implementation of a more stringent selection process (comprising of qualifying tests and interview), the Potential Trainee Program attracted 8,500 applicants, of which 800 were short-listed and 320 students were selected.

**Incentives to retain talents**

Despite a difficult economy, the labor market has remained tight. As such, Sacombank provided attractive incentives, such as, Tet Bonus, public holiday allowance, quarterly once-off bonuses for outstanding staff and teams, local and overseas vacations, wage revision; performance-based remuneration; employee stock options scheme; low interest rates for staff loans; staff residential ownership scheme; better working environment; and staff family relief program. The bank also developed the Golden Idea program that awards employees who demonstrated creativity and innovation.

Notably, Sacombank conducted an on-line employee satisfaction survey for the first time. The survey gathered opinions and feedback of almost 5,000 Sacombank employees on improving staff policies.

In parallel with the above human resource initiatives, Sacombank also facilitated employees' skill reassessment through periodic knowledge tests for 24 job functions at the branches. Under the program, approximately 4,000 branch staff

were tested. Besides the on-line knowledge test, Sacombank also organized KNOWLEDGE AND TALENT CONTESTS for employees with prizes worth up to VND20 million. The contests aimed to facilitate interaction among the departments and help employees enhance their knowledge and skills for improved productivity. In addition, the bank also organizes annual sports and cultural activities.

Sacombank gave outstanding performance and long-service awards. Medals were awarded to staff who served more than 10 years. It also honors Sacombank talents in the Golden Book.

In 2010, Sacombank upgraded the Human Resources Management System from centralized human resources data management at the Head Office to an integrated system with self-serve applications. The new system not only enables each staff to update their personal information, view evaluation results and relevant plans and policies, but also allows managers to utilize human resources information at their branches. In 2011, the system will be further upgraded to incorporate an online human resources dossier approval program. These projects are aimed to develop the bank's web-based programs, which help to manage tasks and recognize staff performance in remote locations and stores inspection and evaluation tools. These projects will help Sacombank to create a dynamic, motivated and interesting work environment that encourage professionalism, transparency and fair working conditions for all.

**ORGANIZATION AND WORKFORCE**

Organization Chart

Board of Directors

Board of Supervisors

Board of Management

**Human Resource Policy**

## Human Resource Policy

(continuation)

### Training and development

Sacombank believes that professional human resource management is important in attracting talents. To this end a Competency Dictionary was developed. The Dictionary lays down the requirements, in terms of knowledge, skills and personal qualities for each managerial position. The Dictionary will be applied in recruitment, placement, training and staff development. With the issuance of a promotion ladder, training map and the syllabus description for each job function of the bank, staff can proactively plan their career paths.

In 2010, the Bank made its largest investment in human resource development. It provided staff training programs in the middle- and senior management levels, including branch directors, heads of transaction offices, managers or deputy managers and members of the Board of Trustees. The training programs helped managers to improve their soft skills, such as, image building, communication, team building and stress management. General training programs taught by qualified experts were also held for staff to improve work-related knowledge and skills.

Sacombank did not neglect career planning and skill development for non-executive staff. The bank regularly sends staff for seminars and training events. More than 200 courses were provided in the year, benefiting 12,000 participants.

In addition to the training programs, Sacombank set up an in-house lecturer team in various regions to develop internal training support tools, such as textbooks (including electronic textbooks) and e-learning. This served to expand training delivery in every operating area or region and thus increase the frequency of training.

Sacombank implemented many human resources management initiatives in 2010. These initiatives deployed attractive compensation schemes and incentive policies have demonstrated the Bank's intention to recognize and reward its staff, as well as to create the best work environment for all.

**ORGANIZATION AND WORKFORCE**

Organization Chart

Board of Directors

Board of Supervisors

Board of Management

**Human Resource Policy**





## SOUTHEASTERN REGION



The idea of setting up its first loan unit in the former Song Be Province (now known as Binh Duong Province) was conceived in 2002. By 2007, Sacombank's transaction network has fully covered the Southeastern region. In addition, it has greatly contributed to the economic development of the region by providing credit to SMEs through its large network.

### Competitive Advantage

- Providing capital for rubber, pepper, cashew nuts trading
- Providing Export Letter of Credits (L/C) to SMEs in economic trading triangle of Dong Nai, Binh Duong, Ba Ria Vung Tau.

### Network Advantage

As at 28 February 2011, the southeastern region has 37 transaction points, including 6 branches and 31 sub-branches.





[Vision and Initiative]



*Thi Vai Port, Ba Ria Vung Tau*

**EQUITY OWNERSHIP STRUCTURE**
**Equity Ownership Structure**

Profit Distribution and Dividend Payment

Ownership Structure

Investor Relations Activities

## Equity Ownership Structure

### Changes in equity 2010

In 2010, Sacombank increased its chartered capital from VND6,700 billion to VND9,179 billion as approved at the 2009 Shareholders' Meeting on 15 March 2010:

- Type of share : Common share
- Par value : VND10,000/share (ten thousand Vietnamese dong per share)
- Beneficiaries : Existing shareholders and key officers
- New share issuance ratios : 15% (share paid in dividends), 20% (new issue), 2% (for key personnel) follow strictly the Resolution of the 2009 Shareholder Meeting.
- Issuing price : VND12,000 per share
- Ex-date : 7 July 2010
- Record date : 9 July 2010
- Approval by HOSE: : Official document No. 899/TB-SGDHCM dated on 15 October 2010 by the Hochiminh City Stock Exchange (HOSE)
- Official issue date : 22 October 2010
- Number of issued shares : 247,887,713 shares, comprising:

**(i) Shares to be paid by dividend**

- Number of shares registered for distribution	: 100,505,295
- Number of shareholders	: 74,068
- Number of shares distributed	: 100,479,947
- Number of fractional shares paid in dividend	: 25,348
- Dividend Ratio	: 99.97%

**(ii) Shares distributed to existing shareholders**

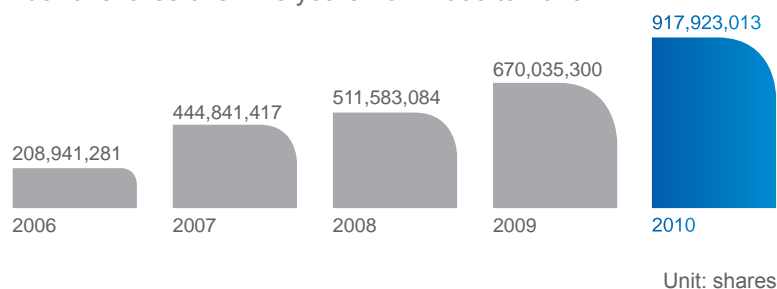
- Number of shares registered for distribution	: 134,007,060
- Number of shareholders	: 74,068
- Number of shares distributed	: 134,007,060
- Number of shareholders receiving new shares	: 45,440
- Share issuing allotment ratio	: 100%

**(iii) Shares distributed to key officers**

- Number of shares registered for distribution	: 13,400,706
- Number of shareholders	: 1,301
- Number of shares distributed	: 13,400,706
- Number of shareholders receiving new shares	: 1,301
- Share issuing allotment ratio	: 100%

### Number of Shares (2006-2010)

Increase in the number of shares over five years from 2006 to 2010:



**EQUITY OWNERSHIP STRUCTURE**

Equity Ownership Structure

**Profit Distribution and Dividend Payment**

Ownership Structure

Investor Relations Activities

## Profit Distribution and Dividend Payment

### Profit distribution Plan in 2010

Item	Clarification	Rate	Amount (VND)
<b>1 Profit before tax</b>			<b>2,425,858,337,082</b>
2 Non-dutiable income			154,757,138,106
3 Expenses not deductible in determining taxable liability			237,344,247,486
4 Business Taxable Income			2,508,445,446,462
5 2010 Business Income Tax Payable	(4) X	25%	627,111,361,616
6 2009 Business Income Tax Arrears			187,390,491
7 Total Business Income Tax	(5) + (6)		627,298,752,107
<b>A Profit (after tax for allocation)</b>	<b>(1) - (7)</b>		<b>1,798,559,584,975</b>
B Transfer to Reserves to Chartered Capital	A x	5%	89,927,979,249
C Transfer to Financial Reserve Fund	(A - B) x	10%	170,863,160,573
<b>D Profit (after tax, transfers and Obligation Fund)</b>	<b>A - B - C</b>		<b>1,537,768,445,153</b>
E Transfer to Investment and Development Fund	D x	0%	-
<b>Transfer Bonus and Welfare fund</b>			<b>246,042,951,224</b>
F Transfer to Bonus fund	D x	8%	123,021,475,612
G Transfer to Welfare fund	D x	8%	123,021,475,612
H Dividend (Chartered capital x dividend ratio)	9,179,230,130,000	15%	1,376,884,519,500
<b>Profit of previous year used to pay dividends</b>			<b>88,475,357,302</b>
<b>I Profit (after tax, transfers, and dividend payment)</b>	<b>D - E - F - G - H</b>		<b>3,316,331,731</b>
J Performance Bonus as per Shareholders' Meeting Resolution	20% profit after Tax and Obligation fund		3,316,331,731
<b>K Residual amount</b>	<b>I - J</b>		<b>-</b>

### Profit Distribution Plan in 2011

Items	Percentage	Sources and Applications
Profit after tax (for distribution)	100%	Profit after tax of Sacombank
Pay 2011 dividends in shares	14%-20%	Depend upon business result each year during 2011-2015, the BOD shall submit dividend distribution proposal to the Annual Shareholders' Meeting.
Reserve for Chartered Capital Fund	5%	
Financial Reserve Fund	10%	
Investment and Development Fund	0%-5%	To be undertaken under the provisions of financial regulations for credit institutions
Bonus Fund	8%	
Welfare Fund	8%	

**EQUITY OWNERSHIP STRUCTURE**

Equity Ownership Structure

Profit Distribution and Dividend Payment

**Ownership Structure**

Investor Relations Activities

## Ownership Structure

### Board of Directors, Board of Supervisors and Board of Management (As of 17 Jan 2011)

Type of shareholder		STT	NAME	STAKE (%)
DOMESTIC	BOD	1	DANG VAN THANH	4.045
		2	HUYNH QUE HA	1.386
		3	NGUYEN CHAU	0.011
		4	DANG HONG ANH	3.519
		5	PHAM DUY CUONG	0.035
		6	HUYNH PHU KIET	0.012
		7	REETECH	3.665
	BOS	8	NGUYEN TAN THANH	0.091
		9	LE VAN TONG	0.055
		10	DOAN BA TUNG	0.041
	BOM	11	TRAN XUAN HUY	0.031
		12	DO THU NGAN	0.013
		13	LUU HUYNH	0.033
		14	DAO NGUYEN VU	0.023
		15	NGUYEN MINH TAM	0.024
		16	PHAM NHAT VINH	0.005
		17	QUACH THANH NGOC THUY	0.009
		18	NGUYEN DANG THANH	0.008
		19	LY HOAI VAN	0.009
	CHIEF ACCOUNTANT	20	LE HUNG CUONG	0.002
OVERSEAS	BOD	1	DRAGON FINANCIAL HOLDINGS LIMITED	6.657
TOTAL				19.653

### Local and Foreign Share Ownership (up to 17 Jan 2011)

	Contributed Capital (VND)	Percentage of Contributed Capital
Number of shareholders (person):	74,132	
Strategic shareholders:		
Dragon Capital	611,046,970,000	6.66
REE	366,428,400,000	3.66
ANZ	897,881,870,000	9.78

Shareholder structure		Number of shareholders	Contributed Capital (VND)	Percentage of Contributed Capital
Organization	Local	319	1,586,342,310,000	17.28
	Foreign	93	2,668,574,510,000	29.07
Individual	Local	73,051	4,889,165,330,000	53.26
	Foreign	669	35,147,980,000	0.38
Total		74,132	9,179,230,130,000	100



**EQUITY OWNERSHIP STRUCTURE**

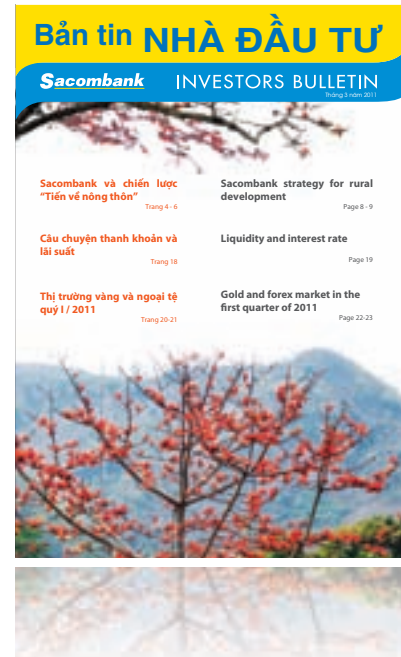
Equity Ownership Structure

Profit Distribution and Dividend Payment

Ownership Structure

Investor Relations Activities

## Investor Relations Activities



In 2010, the Investor Relations Department (IRD) and Equity Management Unit have professionally enabled effective two-way communication between Sacombank and its shareholders and the investing community. The goal of IRD is to help the investing community receive the correct information so that they are able to provide a fair evaluation of Sacombank. The key initiatives in 2010 of IRD were:

- More than 100 meetings were held with financial institutions and investors, to deliver up-to-date information to investors, especially on financial data, transaction office network, business strategy and management appointments, among others;
- Publication of the Sacombank Quarterly Investor Bulletin, a bi-lingual (Vietnamese and English) journal to provide the latest information to investors;
- Wrote the Information Disclosure Manual, based on Circular 09 of The Finance Ministry of Vietnam

to ensure investors receive accurate information in a timely manner;

- Implemented two research projects about investors' needs and aspirations of which the data was used to improve Sacombank's investor relations activities;
- Provided answers to shareholders' inquiries on share performance, dividend policies;
- Developed a public website for investors: <http://www.sacombank.com.vn/en/investor>

The projects and initiatives provide evidence that Sacombank commits to optimize value and profit for its shareholders who have supported the bank during its 19-year journey of development and for those who will continue to support the bank for many more years to come.

## NORTHERN CENTRAL REGION



In 2003, Sacombank set up its first branch in Da Nang, providing banking services to seven provinces in the North Central Region including Nghe An, Quang Binh, Thua Thien Hue, Da Nang, Quang Nam, and Quang Ngai. It took seven years of hard effort in providing quality banking services to meet the demands of residents, in their demands for consumption and living, saving, business operations and investment. At the same time, Sacombank was able to attract low cost capital and opened investment opportunities, thus contributing to the local economy.

### Competitive Advantage

Local payment service, loans to small traders, and funding aqua farming for exports.

### Network Advantage

As at 28 February 2011, it has network coverage of 37 transaction points in the north-central region, including 7 branches and 30 sub-branches.



[Linking business opportunities]



*Fishermen's morning haul, Cua Lo sea shore, Nghe An*



## SOUTHERN CENTRAL REGION & WESTERN HIGHLANDS



Sacombank began its operations in the Southern Central region in 2002. It was the first bank to provide banking services customized to local needs. The bank segmented the local market into aqua farming, cashew production, cultivation of coffee and pepper, forestry and agricultural production. Sacombank aims to become a specialist in financing the agriculture supply chain. It has linked distributors and suppliers to bring production equipment to each household business, contributing to local economic development.

### Competitive Advantage

Offering loans for wood exports; funding coffee cultivation, cashew, and aqua farming for exports.

### Network Advantage

As at 28 February 2011, there is a network of 35 transaction points in the south-central region & western highlands, including 9 branches and 26 sub-branches.





[Pioneering in creating differentiation]



*Harvesting sugarcane, Gia Lai*

## Internal Audit Evaluation

In the year 2010, based on macroeconomic forecast and assessments of the internal operations of the Sacombank, the Internal Auditor prepared action plans, introduced risk audits, applied more resources for auditing operations and processes deemed as high risk, and strengthened its supervision.

### Responsibility and Scope of Internal Audit

The main responsibility of internal audit is to provide an opinion on the bank's financial statements, effectiveness of the internal control, and level of compliance of the business units.

Our target of internal audit for 2010 included the Operations Departments, Transaction Offices, Branches, and Subsidiaries.

Audits were conducted on level of compliance with the provisions of banking laws, Vietnam audit accounting standards, and internal regulations of Sacombank. In addition, strict adherence to business ethics and formulated and implemented the audit plan, in accordance with State Bank Vietnam Decision No. 37/2006/QD-NHNN relating to regulations for internal audit of credit institutions.

The purpose of issuing a professional opinion on the effectiveness of the bank's internal control is to provide assurance to the readers of financial statements, Board of Management and Board of Supervisors. In addition, it also serves to inform the Board of Trustees of operations under its control so that the Board can give due consideration for improvements on the effectiveness of their internal control.

### Opinion of the Internal Auditor

Having conducted audits on quarterly, half-yearly and annual financial statements, and having analyzed separate and consolidated financial statements, as well as monitored the risk indicators in accordance to regulations, the Internal Auditor hereby confirmed that:

- Sacombank 2010 Financial Statements were prepared in accordance to State Bank Vietnam Decision No. 16/2007QD-NHNN dated 18 April 2007 on the financial reporting of financial institutions, Circular 09/2010/TT-BTC dated 15 January 2010 issued by the Ministry of Finance on guidelines governing information disclosure to the stock market, and the Vietnamese Accounting Standards and other existing regulations.

In all material aspects, the data and figures reflected in Sacombank 2010 Financial Statements represents a true and fair view of the operations. They have been approved by the Audit Committee of Sacombank and have been independently audited by an international audit firm (PriceWaterhouseCoopers).

The financial indicators of Sacombank are within the permissible limits set by regulations of the banking industry.



**FINANCIAL STATEMENTS****Internal Audit Evaluation**

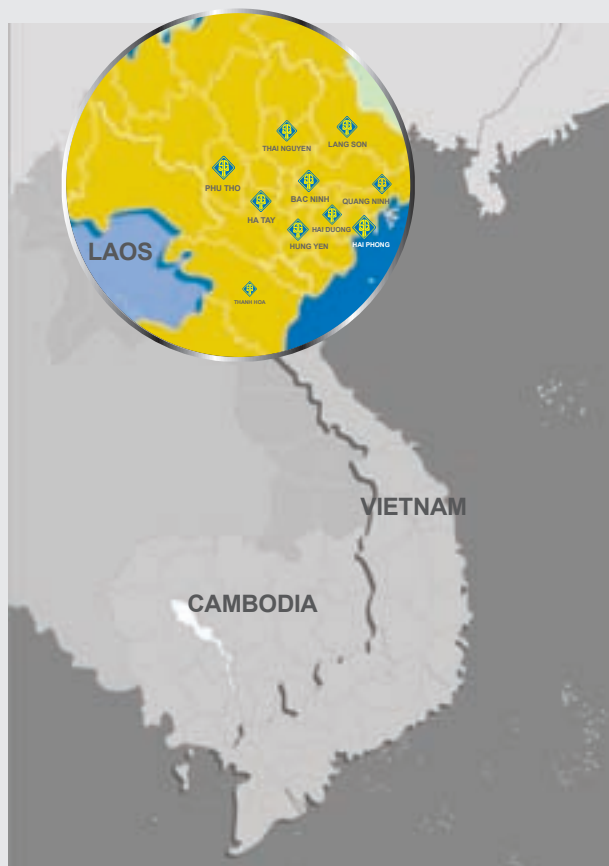
- The Internal Auditor confirmed that the internal controls of Sacombank fulfilled the objectives of risk management and complied with the provisions of the laws and the internal regulations of Sacombank. In addition, this system has been applied effectively and efficiently.

Sacombank has built and continually improved its internal controls to meet the growth of the Bank. In particular, focus was on (i) self-examination and self-correction; (ii) appointment of itinerant Directors and Transaction Managers to conduct examinations; (iii) including risk management to the control system and procedures; (iv) developing processes and regulations; (v) decentralization, authorization and IT system and; (vi) improving inspection and supervision to achieve better results.

- Summarizing the opinion formed from risk audits conducted throughout last year, the Internal Auditor believes that the internal controls has been effective in helping operating business units of Sacombank to comply with regulations despite the rapid growth of staff force and the expansion of branch network.



## NORTHERN REGION



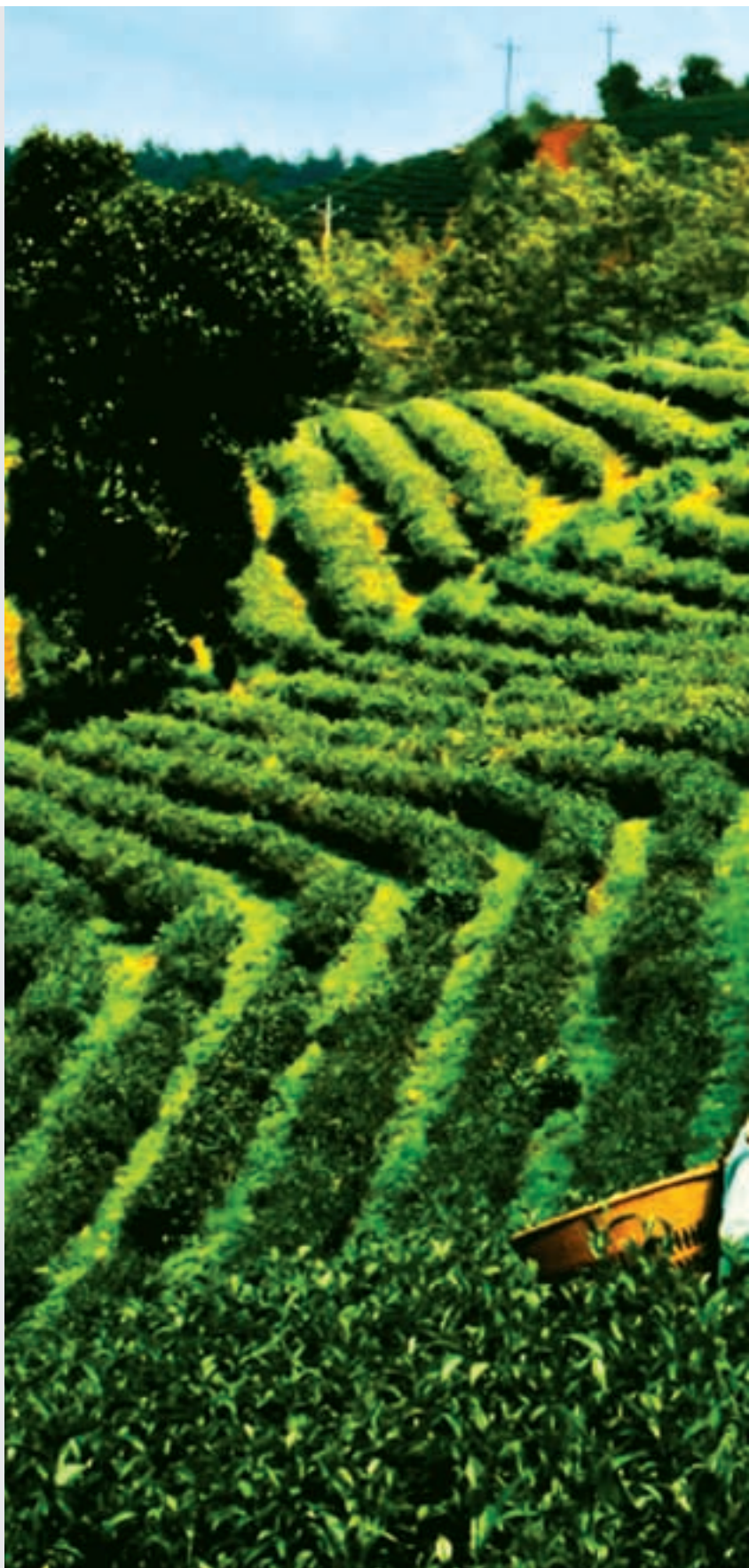
In 2003, when Sacombank entered the north, it had a clear strategy to serve the farmers and ethnic minorities in the remote rural areas. Special branches were set up to create business opportunities for the traditional handicraft villages, initiated the start-up of modern rural production centers.

### Competitive Advantages

Loans to traditional handicraft village.

### Network Advantage

In February 2011, the bank set up the Thai Nguyen and Phu Tho branches, contributing to a total of 33 transaction points in the north, including 9 branches and 24 sub-branches.





[Enabling key growth drivers]



*Plucking tea leaves, Thai Nguyen*



**ADDITIONAL INFORMATION**
**Contributing to the Development of Communities**

National and International Awards

## Contributing to the Development of Communities


*The public toilets model*

Sacombank is aware of its responsibilities, not only to its customers, shareholders and employees, but also to the external environment, the community and the society.

In its integration with the global economy, Sacombank is aware of its responsibilities, not only to its customers, shareholders and employees, but also to the external environment, the community and the society. The bank aims for sustainable growth in line with the ISO 26000:2010 standard.

The guiding force that drives Sacombank has always been based on two factors: customer satisfaction and communal responsibility, thus bringing happiness and prosperity to the community. In 2010, action plans, reflecting the spirit of “Serving the Nations”, were implemented.

- Developing operating standards aimed at achieving an effective, secured and sustainable growth for all stakeholders. While the profit motive is important, Sacombank also balances long-term benefits for all stakeholders, comprising investors, shareholders, customers, partners, employees and the community.
- The bank granted over 2,000 Nurturing Your Dreams Scholarships totaling VND2.3 billion to needy students nationwide to facilitate their studies and achieve dreams.
- The bank organized a cross-country run award called Running for Community Health in 45 provinces and cities to promote the wellness movement in the community, particularly career development for the nation’s youth.
- 4,500 Sacombank park-benches were donated to parks, cultural centers, schools, airports, ect. totaling VND2 billion to serve the communities where the bank operates.
- The bank organized the “Spring Charity Festival in the Year of the Cat 2011”, funded by Sacombank’s employees through its Welfare Fund and Labor Union Fund, which raised a total amount of VND3 billion. The event was held to share the joy of the Tet holiday with over 6,000 elderly, orphans and disabled children in Hochiminh City.
- The bank organized visits and donated rice and other food supplies to people in the flooded areas of Quang Binh, Quang Tri, Nghe An, Ha Tinh and Ninh Thuan, totaling nearly VND400 million, providing relief provision after natural calamities.

**ADDITIONAL INFORMATION**
**Contributing to the Development of Communities**

National and International Awards


**ISO 26000 is established for a sustainable world.**

On November 1, 2010, the International Standardization Organization officially launched the International Standard ISO 26000: 2010 "Guidance on Social Responsibility" in Geneva, Switzerland.



Under this guideline, social responsibility is considered the proper conduct of an organization, and voluntary concession is thus a decisive move towards sustainable development.

- The bank organized welfare activities such as the Eighth of March International Women's Day celebration, International Children's Day celebration, helping needy employees' family; as well as sport and cultural activities such as football, music festival, etc., as incentives to improve staff productivity and promote company loyalty.
- In 2010, to encourage an exchange of experience amongst the Vietnamese enterprises, Sacombank organized 8 seminars on Corporate Governance in Hochiminh City, Phu Quoc, An Giang, Gia Lai, Tay Ninh, Vinh Long and Hau Giang. Through these seminars, the bank hopes to raise the overall standards for customer services in Vietnam. It demonstrated commitment to work with the local enterprises to enable the country to better integrate into the global economy.
- To develop a civilized urban lifestyle, Sacombank set up the first public toilets in

Tan Phu District of Hochiminh City. Besides installing quality toilet equipment, the bank mobilized resources to maintain the public facility. These public toilets were welcomed by the local government and community. Currently, Sacombank continues to expand this model to other districts in Hochiminh City and other localities to help protect the environment and cultivate a civilized urban lifestyle.

In addition to the annual programs, Sacombank participated in community-centered projects, such as, constructing houses for war invalids and martyrs' families, sponsoring charity centers, and participating in government and charity movements.

In its expansion in Indochina, Sacombank is creating jobs for over 8,500 young workers and, together with local enterprises, making practical contributions to economic development and social improvements to Indochina's banking industry.

**ADDITIONAL INFORMATION**

Contributing to the Development of Communities

**National and International Awards**

## National and International Awards



1

**Certificate of Merit for Contribution to Socialism Strengthening and National Defense** (awarded by the Prime Minister, Decision No. 1820/QD-TTg, dated 10 September, 2010).

2

**2010 Flag of Excellence for Performance** (awarded by the Government of Vietnam, Decision No. 1056/QD-TTg, dated 8 July, 2010)

3

**2010 Flag of Excellence for Performance** (awarded by the Governor of the State Bank of Vietnam, Decision No. 596/QD-NHNN, dated 23 March, 2010).

4

**State Bank Vietnam Certificate of Merit** (Second Rural Finance Project) awarded under Decision No. 1100/QD-NHNN, dated 7 May, 2010).

5

**Certificate of Merit for Contribution to Finance Industry** (awarded by the HCMC People's Committee Decision No. 3183/QD-UB, dated 20 July, 2010).

6

**Vietnam Golden Star 2010** (awarded by the Vietnam Young Entrepreneurs Association)





**ADDITIONAL INFORMATION**

Contributing to the Development of Communities  
**National and International Awards**

**“Best Annual Report 2010” Award for 2009 Annual report** which was organized by the Hochiminh Securities Exchange (HOSE), Hanoi Securities Exchange (HNX), Investment Newspaper, and Dragon Capital.

**Certificate of Merit granted to Mr. Dang Van Thanh, chairman of Sacombank for contributing to city development** (awarded by the HCMC People’s Committee on the 15th anniversary year of the HCMC Disability Children Aid Association (under Decision No. 2652/QD-UBND, dated 18 June, 2010).

**Best Cash Management Bank in Vietnam 2010** (awarded by The Asset of Hong Kong).

**Best Cash Management Bank in Vietnam 2010** (awarded by Finance Asia Hong Kong).

**Best Retail Bank in Vietnam 2009** (awarded by The Asian Banker)

12

**Best Foreign Exchange Provider in Vietnam 2010**  
(awarded by Global Finance)



## LAOS PEOPLES DEMOCRATIC REPUBLIC



In 2008, Sacombank was the first Vietnamese commercial bank to open in Vientiane City in Laos. The branch has contributed to the cross-border trade between Vietnam and Laos and gradually providing banking services to the Lao enterprises and consumers.

### Banking Services and Products:

- Retail and Corporate deposits in LAK, USD, and THB;
- Short, medium, and long term loans for enterprises;
- International Payment Services in the form of Letter of Credit (L/C), Document against Acceptance (D/A) and Document against Payment (D/P)...
- Inward and Outward Remittance service between Laos and Vietnam and between US and Laos.





[Leading in development footprint in Indochina]



*Rubber plantation, Laos*



## KINGDOM OF CAMBODIA



Sacombank became the first bank that expanded its network into Cambodia, when the Phnom Penh Branch opened its doors in 2009. The entry helped the bank bring new opportunities to the banking and finance industry of Cambodia, and affirm the bank's role as the link for enterprises in Vietnam, Laos, and Cambodia. The presence of Sacombank in Cambodia and Laos has facilitated access into the Indochina market for member companies of the Samcombank Group.

### Banking Services and Products:

- 1-hour Remittance Service between Vietnam, Laos and Cambodia through the Sacombank's system.
- Sacombank SBJ Gold Deposit Accounts per Sacombank Safe Program.
- Sacombank SBJ Gold Loan.
- Flexi-Loans with competitive interest rates to small enterprises.





[Embracing opportunities - Ushering success]



*Street corner, Phnom Penh*

**SACOMBANK PHNOM PENH PROFILE**
**Brief History**

Branch structure - Organisation Chart  
 Independent Auditor's Report  
 Income Statement  
 Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
 Noted to the Financial Statements

## Sacombank Phnom Penh


**Brief History**

Have established and launched its operation on 23th June, 2009. Sacombank is one of the foreign branches of Sacombank Viet Nam. This is the inevitable result of business development are vast growing. With achievement in almost 20 years of Sacombank Viet Nam. Sacombank Phnom Penh-Branch is one step to expand it's from Viet Nam territory for development of their own in the future.

After nearly 02 years operation, Sacombank Phnom Penh-Branch has achieved certain business progress in Cambodia market. With total asset in 2010 reached to approximately 105 million dollars. With a sector of business product and services are modern; Sacombank Phnom Penh-Branch has brought to the real benefit for community service, people and economy in Kingdom of Cambodia.

**Branch Information**

SACOMBANK – PHNOM PENH BRANCH

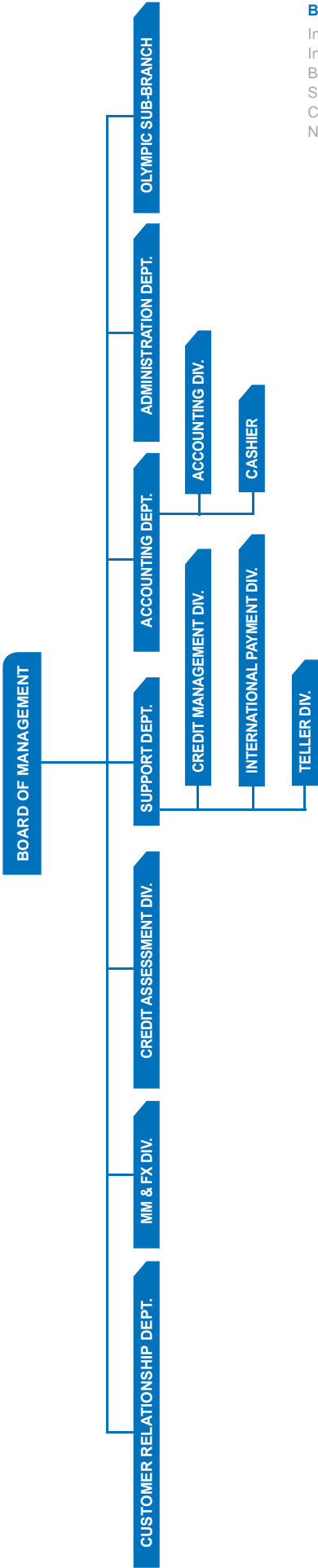
Address: No.60 Preah Norodom, Sangkat Chey Chumneas,  
 Khan Daun Penh, Phnom Penh, Cambodia.

Tel: (855) 23 22 34 22

Fax: (855) 23 22 34 33

Website: [www.sacombank.com.kh](http://www.sacombank.com.kh)

# Branch Structure - Organization Chart



## SACOMBANK PHNOM PENH PROFILE

- Brief History
- Branch structure - Organisation Chart**
- Independent Auditor's Report
- Income Statement
- Balance Sheet
- Statement of Changes in Head Office's Equity
- Cash Flow Statement
- Noted to the Financial Statements



## Independent auditor's report



PricewaterhouseCoopers (Cambodia) Ltd.  
35, Sihanouk Boulevard, Chamkarmon  
Phnom Penh, Kingdom of Cambodia  
Telephone (855) 23 218 086  
Facsimile (855) 23 211 594

To the Executive Management of SAIGON THUONG TIN COMMERCIAL JOINT STOCK BANK (SACOMBANK) Phnom Penh Branch

We have audited the accompanying financial statements of SAIGON THUONG TIN COMMERCIAL JOINT STOCK BANK (SACOMBANK) Phnom Penh Branch ("the Branch"), which comprise the balance sheet as of 31 December 2010 and the income statement, statement of changes in head office's equity and cash flow statement for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial

statements in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Independent auditor's report (Continued)



### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as of 31 December 2010, and its financial performance and cash flows for the year ended 31 December 2010 in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Ltd.



Phnom Penh, Kingdom of Cambodia  
Date: 10 June 2011

**SACOMBANK PHNOM PENH PROFILE**
[Brief History](#)
[Branch structure - Organisation Chart](#)
[Independent Auditor's Report](#)
[Income Statement](#)
[Balance Sheet](#)
[Statement of Changes in Head Office's Equity](#)
[Cash Flow Statement](#)
[Noted to the Financial Statements](#)

# Income Statement

For the Year Ended 31 December 2010

	For the year ended 31 December 2010		For the period from 23 June 2009 to 31 December 2009	
	US\$	KHR' 000	US\$	KHR' 000
Interest and similar income	2,263,997	9,175,980	118,241	492,947
Interest and similar expense	(105,204)	(426,392)	(11,699)	(48,773)
Net Interest and similar income	2,158,793	8,749,588	106,542	444,174
Fees and commission income	541,871	2,196,203	110,532	460,808
Fees and commission expense	(115,693)	(468,904)	(12,379)	(51,608)
Net fees and commission income	426,178	1,727,299	98,153	409,200
Other operating income	542,338	2,198,096	116,515	485,751
Total operating income	3,127,309	12,674,983	321,210	1,339,125
General and administrative expenses	(1,108,181)	(4,491,458)	(616,609)	(2,570,644)
Allowance for doubtful debts	(677,041)	(2,744,047)	(13,888)	(57,899)
Profit/(loss) before taxation	1,342,087	5,439,478	(309,287)	(1,289,418)
Taxation	229,728	931,088	3,409	14,213
Net profit/(loss) for the year/period	1,112,359	4,508,390	(312,696)	(1,303,631)



**SACOMBANK PHNOM PENH PROFILE**

Brief History

Branch structure - Organisation Chart

Independent Auditor's Report

Income Statement

**Balance Sheet**

Statement of Changes in Head Office's Equity

Cash Flow Statement

Noted to the Financial Statements

## Balance Sheet

For the Year Ended 31 December 2010

	For the year ended 31 December 2010		For the period from 23 June 2009 to 31 December 2009	
	US\$	KHR' 000	US\$	KHR' 000
<b>ASSETS</b>				
Cash on hand	8,008,610	32,458,896	100,340	418,317
Balances with Central Bank	8,718,286	35,335,213	23,083,704	96,235,962
Balances with other banks and financial institutions	18,015,818	73,018,110	11,126,007	46,384,323
Loans and advances to customers	68,401,970	277,233,184	1,374,944	5,732,142
Other assets	878,833	3,561,910	155,710	649,155
Property and equipment	640,530	2,596,068	615,032	2,564,068
Intangible assets	215,510	873,462	275,837	1,149,964
Deferred income tax asset	63,816	258,646	0	
<b>TOTAL ASSETS</b>	<b>104,943,373</b>	<b>425,335,489</b>	<b>36,731,574</b>	<b>153,133,931</b>
<b>LIABILITIES AND HEAD OFFICE'S EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from banks	56,084,155	227,309,080	20,083,900	83,729,779
Due to customers	9,690,900	39,277,218	1,916,875	7,991,452
Accruals and other liabilities	107,329	435,003	43,495	181,331
Current income tax liabilities	261,326	1,059,154		
	66,143,710	268,080,455	22,044,270	91,902,562
<b>HEAD OFFICE'S EQUITY</b>				
Branch capital	38,000,000	154,014,000	15,000,000	62,535,000
Retained earnings	799,663	3,241,034	(312,696)	(1,303,631)
	38,799,663	157,255,034	14,687,304	61,231,369
<b>TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY</b>	<b>104,943,373</b>	<b>425,335,489</b>	<b>36,731,574</b>	<b>153,133,931</b>

**SACOMBANK PHNOM PENH PROFILE**

Brief History

Branch structure - Organisation Chart

Independent Auditor's Report

Income Statement

Balance Sheet

**Statement of Changes in Head Office's Equity**

Cash Flow Statement

Noted to the Financial Statements

## Statement Of Changes In Head Office's Equity

For the Year Ended 31 December 2010

Year ended 31 December 2009	Branch Capital	Retained Earning	Total
	US\$	US\$	US\$
As at 19 Jun 2009 (incorporation date)			
Paid-up capital	15,000,000.00		15,000,000.00
Net loss for the period		(312,696)	(312,696)
As at 31 December 2009	15,000,000.00	(312,696)	14,687,304.00
In Riel' 000 equivalent	62,535,000	(1,303,631)	61,231,369
For the year ended 31 December 2010			
As at 1 January 2010	15,000,000	(312,696)	14,687,304.00
Paid-up capital (note 19)	23,000,000		23,000,000
Net profit for the year		1,112,359	1,112,359
At 31 December 2010	38,000,000	799,663	38,799,663
In Riel' 000 equivalent	154,014,000	3,241,034	157,255,034

**SACOMBANK PHNOM PENH PROFILE**

Brief History

Branch structure - Organisation Chart

Independent Auditor's Report

Income Statement

Balance Sheet

Statement of Changes in Head Office's Equity

**Cash Flow Statement**

Noted to the Financial Statements

## Cash Flow Statement

For the Year Ended 31 December 2010

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Cash flows from operating activities				
Cash generated from operation	(30,942,985)	(125,411,917)	20,233,137	84,351,947
Interest received	1,651,593	6,693,906	77,394	322,656
Interest paid	(74,032)	(300,052)	(6,158)	(25,673)
Income tax paid	(32,218)	(130,580)	(3,409)	(14,212)
Net cash (outflow)/inflow from operating activities	(29,397,642)	(119,148,643)	20,300,964	84,634,718
Cash flows from investing activities				
Capital guarantee deposit with NBC	(2,300,000)	(9,321,900)	(1,500,000)	(6,253,500)
Reserve requirement with NBC	(2,200,068)	(8,916,876)	(1,002,399)	(4,179,001)
Acquisition of property and equipment	(169,695)	(687,774)	(688,835)	(2,871,753)
Acquisition of intangible assets	-	-	(302,078)	(1,259,363)
Net cash outflow from investing activities	(4,669,763)	(18,926,550)	(3,493,312)	(14,563,617)
Cash flows from financing activities				
Paid-up capital	23,000,000	93,219,000	15,000,000	62,535,000
Net cash inflow from financing activities	23,000,000	93,219,000	15,000,000	62,535,000
Net (decrease)/increase in cash and cash equivalents	(11,067,405)	(44,856,193)	31,807,652	132,606,101
Cash and cash equivalents at the beginning of the year	31,807,652	132,606,101	-	-
Foreign exchange difference	-	(3,689,688)	-	-
Cash and cash equivalents at the end of the year/period	20,740,247	84,060,220	31,807,652	132,606,101



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
**Noted to the Financial Statements**

# Notes To The Financial Statements

For the Year Ended 31 December 2010 (continued)

## 1. BACKGROUND INFORMATION

SAIGON THUONG TIN COMMERCIAL JOINT STOCK BANK (SACOMBANK) Phnom Penh Branch ("the Branch") is a branch of SAIGON THUONG TIN COMMERCIAL JOINT STOCK BANK, incorporated in Vietnam. The Branch operates in the Kingdom of Cambodia under indefinite banking licence No. 27 dated 19 June 2009 from the National Bank of Cambodia. The Branch has also obtained a licence from the Ministry of Commerce, No. 523/09B dated 18 March 2009.

The principal activities of the Branch comprise the operation of a core banking business and the provision of related financial services in Cambodia.

The registered office of the Branch is at No. 60, Preah Norodom Boulevard, Sangkat Chey Chumneas, Phnom Penh, Cambodia

The financial statements were authorised for issue by the Executive Management on 10 June 2011. The Executive Management has the power to amend and reissue the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1. Basis of preparation

The Branch's financial statements have been prepared in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards ("CAS"). In applying CAS, the Branch also applies Cambodian Financial Reporting Standard (CFRS) 7: Financial Instruments: Disclosures. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodian accounting principles, procedures and practices.

The financial statements have been prepared in United States dollars ("US\$") using the historical cost convention.

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

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 New accounting standards and interpretations

##### (a) New standards, amendments to existing standards and interpretations effective in year 2010

There were no new accounting standards, amendments to published standards or interpretations to existing standards that were effective and applicable to the Branch for the financial year ended 31 December 2010.

##### (b) Standards and amendments to existing standards issued but not yet effective

On 28 August 2009, the National Accounting Council announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by International Accounting Standard Board including other interpretation and amendment that may occur in any circumstances to each standard by adding "Cambodian". Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

The following Cambodian International Accounting Standards ("CIAS") and CIFRS and amendments to existing standards, which have been published are relevant and mandatory for the Bank's accounting period beginning on or after 1 January 2012, but have not been early adopted by the Branch:

- CIAS 1 (Revised), Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are to be shown in a performance statement. Entities can opt to present one performance statement (i.e. statement of comprehensive income) or two statements (i.e. income statement and statement of comprehensive income). Entities which restate or reclassify comparative information are required to present a restated balance sheet as at the beginning of the comparative period. The revised standard also clarifies that potential settlement of a liability by issue of equity is not relevant in intangible assets as a single asset if every asset has a similar useful economic life.

- CIAS 39, Financial Instruments: Recognition and Measurement

The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

#### Impairment of financial assets

The Branch currently follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074, dated 25 February 2009, issued by the Central Bank. CIAS 39 requires the Branch to assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired, either on an individual or collective assessment basis. Impairment loss is measured as the difference between an asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For the purposes of collective impairment assessment, assets are grouped on the basis of similar credit risk characteristics.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

# Notes To The Financial Statements

For the Year Ended 31 December 2010 (continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 New accounting standards and interpretations

#### (b) Standards and amendments to existing standards issued but not yet effective (Continued)

##### Deposits from banks and customers

The Branch currently measures deposits from banks and customers at the deposit amount. CIAS 39 requires that financial liabilities (which include deposits from banks and customers) to be measured at amortised cost.

##### Interest income and interest expense

The Branch currently recognises interest income and expense on an accrual basis at contractual rates, except where serious doubt exists as to the collectability, when interest is suspended until it is realised on a cash basis. CIAS 39 requires interest income and expense for all interest-bearing financial instruments to be recognised using the effective interest method. In respect of a financial asset or a group of similar financial assets that are impaired, interest income is to be recognised at interest rate used in discounting future cash flows for purpose of measuring the impairment loss.

- CIFRS 7 (Amendment), Financial instruments - Disclosures

The revised standard requires enhanced disclosures in respect of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair values by fair value measurement hierarchy as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; and

Level 3 - Inputs for an asset or liability that are not based on observable market data.

The standard also emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- CIFRS 9, Financial instruments

The standard establishes principles for financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. CIFRS 9 specifies the bases for classification and measurement of financial assets, including some hybrid contracts. They require all financial assets to be: (a) classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset; (b) initially measured at fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss; and (c) subsequently measured at amortised cost or fair value based on asset classification.

Other than the standards and amendments to existing standards as set out above, the other published standards, amendments and interpretations to existing standards, which are applicable for accounting periods beginning on or after 1 January 2010, are not relevant to the Branch's operations.



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 2.3 Foreign currency translation

#### i) Functional and presentation currency

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

#### ii) Transactions and balances

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

#### iii) Presentation currency in Khmer Riel

For the sole purpose of complying with Announcement No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation to Khmer Riel is provided for the balance sheet, the income statement, the statement of changes in head office's equity, the cash flow statement and the notes to the financial statements as of and for the year ended 31 December 2010 using the average official rate of exchange regulated by the Central Bank as at the reporting date, which was US\$1 to Riel 4,053 (31 December 2009: US\$1 to Riel 4,169). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

### 2.4 Interest income and expense

Interest income on loans and advances to customers, deposits with the Central Bank and other banks are recognised on an accruals basis, except where serious doubt exists as to the collectability 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.

### 2.5 Fee and commission income

Fee and commission income, except loan procession fees, is generally recognised on an accrual basis when the service has been provided. Fees and commission income comprises income received from inward and outward bank transfers, credit card transactions, bank guarantees and letters of credit.

Loan processing fees are recognised in the income statement once they are received.

### 2.6 Loans and advances to customers

Loans and advances to customers are stated in the balance sheet at the amount of principal outstanding less any 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 more than one year from the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recovery of loans and advances previously written off or provided for are recognised in the income statement.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.7 Provision for loan losses

The Branch follows the mandatory loan classification and provisioning rules required by Prakas B7-09-074, dated 25 February 2009, on loans classification and provisioning for banks and financial institutions. This Prakas applies to loans and advances or other assets with a similar nature. The Prakas replaces existing Prakas B7-00-51 and B702-145 from 25 February 2009. The minimum mandatory loan loss provision is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, unless other information is available that indicates worsening.

The table below shows loan classifications and minimum provisioning requirements:

Classifications	Minimum Provisioning Requirements
Standard	1%
Special mention	3%
Sub-standard	20%
Doubtful	50%
Loss	100%

#### 2.8 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 principal or interest is past due, unless the payment terms on interest or principal have been adjusted.

#### 2.9 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 Branch 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 on other assets is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

	Year
Leasehold building	15
Computer equipment	4
Furniture and equipment	4 – 5
Motor vehicle	4 – 5

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

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.

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

### 2.10 Intangible assets

Computer software licences:

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over five years using the straight-line method.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

### 2.11 Deferred income tax

Deferred income tax is 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 income tax is determined using tax rates (and law) that have been enacted or substantially enacted by the date of balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

### 2.12 Operating leases

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

### 2.13 Provision

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

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

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



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 2.14 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash on hand, cash in transit, balances with banks and other financial institutions, placement with other banks, and current accounts with the Central Bank.

### 2.15 Related party transactions

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 Branch

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### a) Impairment losses on loans and advances

The Bank follows the mandatory credit classification and provisioning required by Prakas No. B7-09-074, dated 25 February 2009, on the asset classification and provisioning of the Central Bank. The Central Bank requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral. For the purpose of loan classification, the Branch takes into account historical payment experience and the counterparty's current paying capacity.

### b) Income tax

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

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

## 4. INTEREST INCOME

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Loans and advances to customers	1,865,249	7,559,854	41,534	173,156
Placements with other banks	398,748	1,616,126	76,707	319,791
	2,263,997	9,175,980	118,241	492,947

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 5. Interest Expense

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Deposit from banks	96,801	392,335	3,752	15,642
Due to customers	8,403	34,057	7,947	33,131
	105,204	426,392	11,699	48,773

### 6. Fee and Commission Income

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Fees from remittance	315,835	1,280,079	81,050	337,897
Loan processing fees	194,822	789,614	26,631	111,025
Other fee income	31,214	126,510	2,851	11,886
	541,871	2,196,203	110,532	460,808

### 7. General And Administrative Expenses

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Salaries and wages	421,173	1,707,014	204,340	851,893
Staff benefits	10,972	44,470	43,698	182,177
Depreciation (note 13)	144,197	584,430	73,803	307,685
Rental, repairs and maintenance	155,375	629,735	116,047	483,800
Electricity and utilities	46,356	187,881	22,854	95,278
Office supplies	14,391	58,327	10,111	42,153
Travelling and communication expenses	23,251	94,236	12,066	50,303
Amortisation (note 14)	60,327	244,505	26,241	109,399
Marketing expenses	18,081	73,282	7,839	32,681
Other operating expenses	214,058	867,578	99,610	415,275
	1,108,181	4,491,458	616,609	2,570,644

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 8. Taxation

#### (a) Tax expense

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Current income tax	293,544	1,189,734	3,409	14,213
Deferred tax asset	(63,816)	(258,646)	-	-
	229,728	931,088	3,409	14,213

#### (b) Reconciliation between income tax expense and accounting profit

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Accounting profit/(loss) before tax	1,342,087	5,439,478	(309,287)	(1,289,418)
Tax calculated at tax rate of 20%	268,417	1,087,894	-	-
Effect of				
Adjustment for prior period	76,925	311,777	-	-
Expense not deductible for tax purpose	17,654	71,552	(5,237)	(21,835)
Utilisation of previously unrecognised tax loss	(133,268)	(540,135)	-	-
Current income tax/ Minimum tax	229,728	931,088	3,409	14,213

#### (c) Minimum Tax

Tax on profit of the Branch is computed based on minimum tax. Minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all the taxes. Taxes are paid either:

- at 20% of taxable profit, or
- the Minimum Tax rate of 1% of total revenue inclusive of value added tax, whichever is higher.

#### (d) Tax losses carried forward

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the Tax on Profit return and submitted to the Tax Department on time.
- The business objective of the Branch must not have changed.
- The ownership of the Branch must not have changed.
- The Branch must not have received a unilateral tax re-assessment.

A deferred tax asset is not shown as an asset in the Branch's financial statements due to the uncertainty regarding the Branch's ability to generate sufficient future earnings to make use of the tax loss carried forward.



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### (e) Other tax matters

The Branch's tax returns are subject to periodic examination by the Tax Department. Because 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 Department.

### 9. Balances with Central Bank

	Note	2010	2010	2009	2009
		US\$	Riel' 000	US\$	Riel' 000
Statutory capital deposit	(i)	3,800,000	15,401,400	1,500,000	6,253,500
Reserve deposit	(ii)	3,202,467	12,979,599	1,002,399	4,179,001
Current accounts	(iii)	1,715,819	6,954,214	20,581,305	85,803,461
		8,718,286	35,335,213	23,083,704	96,235,962

(i) In compliance with Prakas No. B701-136 dated 15 October 2001, the Bank maintains a statutory capital deposit with the Central Bank equivalent to US\$3,800,000 which represents 10% of its registered capital. This deposit earns interest at the rate of 3/8 of the six-month SIBOR approximately 0.11%-0.18% per annum (2009: 0.28%-0.32% per annum). This deposit is refundable should the Branch cease its operations in Cambodia and it is not available for use in the Branch's day-to-day operations.

(ii) The reserve deposits represent the minimum reserve requirement which is calculated at 8% and 12% of the total deposits from customers and settlements of accounts of other banks dominated in Khmer Riel and other foreign currencies, respectively. The 4% reserve requirement on customers' deposits in currencies other than KHR earns interest at 1/2 of one month SIBOR (approximately 0.13% per annum) while the remaining 8% and the reserve requirement on customers' deposits in KHR bears no interest.

(iii) This represents current accounts which earned no interest

### 10. Balances With Other Banks And Financial Institutions

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Local banks:				
Current accounts	5,663,176	22,952,852	2,607,690	10,871,459
Term deposits	7,000,000	28,371,000	5,500,000	22,929,500
Overseas banks:				
Current accounts	5,352,642	21,694,258	3,018,317	12,583,364
	18,015,818	73,018,110	11,126,007	46,384,323

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

The current accounts maintained at overseas banks included a current account with the head office amounting to US\$3,110,192. Current accounts with both local and overseas banks earned no interest. Term deposits earned interest at rates ranging from 1.00% to 4.50% per annum (2009: 3.25% to 4.50% per annum). All balances with other banks mature within one year.

### 11. Loans And Advances To Customers

#### (a) Analysis by type of loan

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Loans and advances				
Term loans	69,092,899	280,033,519	1,388,832	5,790,041
	69,092,899	280,033,519	1,388,832	5,790,041
Allowance for bad and doubtful debts				
Specific provision	-	-	-	-
General provision	(690,929)	(2,800,335)	(13,888)	(57,899)
	(690,929)	(2,800,335)	(13,888)	(57,899)
	68,401,970	277,233,184	1,374,944	5,732,142

#### (b) Analysis by security of performing and non-performing loans

All of these loans were made in US\$.

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Standard loans:				
Secured loans (*)	69,092,899	280,033,519	1,388,832	5,790,041
Unsecured loans	-	-	-	-
	69,092,899	280,033,519	1,388,832	5,790,041
Allowance for bad and doubtful debts				
Specific provision	-	-	-	-
General provision	(690,929)	(2,800,335)	(13,888)	(57,899)
	(690,929)	(2,800,335)	(13,888)	(57,899)
	68,401,970	277,233,184	1,374,944	5,732,142

(\*)These loans are secured by land, building title deeds and certificate of deposits.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### (c) Analysis by type of industry

Loans and advances analysed by industry are as follows

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Wholesale and retail	15,601,831	63,234,221	50,000	208,450
Real estate	7,355,601	29,812,251	-	-
Services	3,439,460	13,940,131	505,826	2,108,789
Import	2,433,232	9,861,889	190,640	794,778
Textile industries	700,000	2,837,100	500,000	2,084,500
Export	240,000	972,720	100,000	416,900
Personal use	59,344	240,521	42,366	176,624
Other industry	39,263,431	159,134,686	-	-
	69,092,899	280,033,519	1,388,832	5,790,041
Allowance for bad and doubtful debts				
Specific provision	-	-	-	-
General provision	(690,929)	(2,800,335)	(13,888)	(57,899)
	68,401,970	277,233,184	1,374,944	5,732,142

### (d) Provision for bad and doubtful debts

The movement in the provision for bad and doubtful debts is as follows:

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
At beginning of the year	13,888	57,899	-	-
Charged for the year/period	677,041	2,744,047	13,888	57,899
Exchange difference	-	(1,611)	-	-
Balance at 31 December	690,929	2,800,335	13,888	57,899

### (e) Interest rates

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

	2010	2009
Short-term loans	5.5% - 20.4%	12% - 14.4%
Long-term loans	4.5% - 18.25%	14.4% - 18.25%



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 12. Other Assets

Office and house rental:
Deposits
Insurance
Prepayment for maintenance service
Others

### 13. Property And Equipment

	Leasehold building US\$	Computer equipment US\$	Furniture and equipment US\$	Motor vehicle US\$	Total
As at 31 January 2009					
Opening net book amount	-	-	-	-	-
Additions	3,014	616,767	4,854	64,200	688,835
Depreciation charge	(25)	(66,960)	(592)	(6,226)	(73,803)
Net book value as at 31 December 2009	2,989	549,807	4,262	57,974	615,032
Year ended 31 December 2009					
Cost	3,014	616,767	4,854	64,200	688,835
Accumulated depreciation	(25)	(66,960)	(592)	(6,226)	(73,803)
Net book amount	2,989	549,807	4,262	57,974	615,032
In Riel' 000 equivalents (Unaudited)	12,461	2,292,145	17,768	241,694	2,564,068

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 14. Property And Equipment

	Leasehold building US\$	Computer equipment US\$	Furniture and equipment US\$	Motor vehicle US\$	Total
As at 31 January 2010					
Opening net book amount	2,989	549,807	4,262	57,974	615,032
Additions	116,438	29,371	3,501	20,385	169,695
Depreciation charge	(301)	(129,101)	(1,253)	(13,542)	(144,197)
Net book value as at 31 December 2010	119,126	450,077	6,510	64,817	640,530
Year ended 31 December 2010					
Cost	119,452	646,138	8,355	84,585	858,530
Accumulated depreciation	(326)	(196,061)	(1,845)	(19,768)	(218,000)
Net book amount	119,126	450,077	6,510	64,817	640,530
In Riel' 000 equivalents (Unaudited)	482,818	1,824,162	26,385	262,703	2,596,068

### 14. Intangible Assets

	Computer software US\$	Total US\$
As at 1 January 2009		
Opening net book amount	-	-
Additions	302,078	302,078
Amortisation charge	(26,241)	(26,241)
Closing net book amount	275,837	275,837
Year ended 31 December 2009		
Cost	302,078	302,078
Accumulated amortisation	(26,241)	(26,241)
Closing net book value	275,837	275,837
In Riel' 000 equivalents (Unaudited)	1,149,964	1,149,964

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 14. Intangible Assets (continued)

	Computer Software	Total
As at 31 January 2010		
Opening net book amount		
Additions		
Amortisation charge		
Closing net book amount		
Year ended 31 December 2010		
Cost		
Accumulated amortisation		
Closing net book value		
In Riel' 000 equivalents (Unaudited)		

### 15. Deferred Income Tax Asset

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Deferred tax liabilities	(89,654)	(363,368)	-	-
Deferred tax asset	153,470	622,014	-	-
	63,816	258,646	-	-

#### Deferred tax liabilities

	Accelerated tax depreciation		Unrealised exchange gain		Total	
	US\$	Riel'000	US\$	Riel'000	US\$	Riel'000
As at 19 June 2009	-	-	-	-	-	-
Credited to the income statement	-	-	-	-	-	-
As at 31 December 2009	-	-	-	-	-	-
As at 1 January 2010	-	-	-	-	-	-
Credited to the income statement	88,574	358,992	1,080	4,376	89,654	363,368
As at 31 December 2010	88,574	358,992	1,080	4,376	89,654	363,368



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### Deferred tax asset:

	Unrealised exchange loss	
	US\$	Riel'000
As at 19 June 2009	-	-
Credited to the income statement	-	-
As at 31 December 2009	-	-
As at 1 January 2010	-	-
Credited to the income statement	153,470	622,014
As at 31 December 2010	153,470	622,014

Deferred tax assets are recognised to the extent that the realisation of the related tax benefits through the future tax benefits is probable.

### 16. Deposits From Banks

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Current accounts	50,084,155	202,991,080	20,083,900	83,729,779
Fixed accounts	6,000,000	24,318,000	-	-
	56,084,155	227,309,080	20,083,900	83,729,779

This represent the current accounts held by the SAIGON THUONG TIN COMMERCIAL JOINT STOCK BANK (SACOMBANK) head office in Vietnam for inward and outward fund transfers and by CANADIA BANK, amounting to US\$50,004,155 and US\$80,000 respectively. These accounts are non-interest bearing.

The fixed accounts will be matured within one year.

### 17. Due To Customers

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Current accounts	5,082,706	20,600,207	718,621	2,995,930
Margin deposits	44,424	180,051	105,004	437,762
Saving accounts	1,170,250	4,743,023	578,471	2,411,646
Fixed deposits	3,393,520	13,753,937	514,779	2,146,114
	9,690,900	39,277,218	1,916,875	7,991,452

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

Margin deposits represent the aggregate balance of required non-interest bearing cash deposits from customers held as a guarantee for letters of credit outstanding at year end (note 20). All amount due to customers are matured within one year except US\$40,000 of fixed deposit is matured more than one year

Annual interest rates for deposits from banks and due to customers are as follows:

	2010	2009
Current accounts	0.50%	0.50%
Savings accounts	0.50%	0.50%
Fixed deposits	2.5% to 7%	3.5% to 7%

### 18. Accruals And Other Liabilities

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Interest payables	36,713	148,798	5,541	23,100
Withholding tax payables	11,812	47,874	27,942	116,490
Other payables	58,804	238,331	10,012	41,741
	107,329	435,003	43,495	181,331

### 19. Branch Capital

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Issued and fully paid				
At beginning of the year	15,000,000	62,535,000	-	-
Issue of shares	23,000,000	93,219,000	15,000,000	62,535,000
Translation difference	-	(1,740,000)	-	-
At the end of the year	38,000,000	154,014,000	15,000,000	62,535,000

### 20. Contingent Liabilities And Commitments

#### a) Loan commitments, guarantees and other financial facilities

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

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

Undrawn credit facilities
Letter of credit
Bank guarantees

Letters of credit are secured by marginal deposits of US\$44,424 as disclosed in note 17. The commitments above are expected to be utilised and settled within one year.

### b) Operating lease commitments

As at 31 December 2010, the Bank had non-cancellable lease commitments for its lease of the office building, with details as follows:

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
No later than one year	132,000	534,996	96,000	400,224
Later than one year but not more than five years	576,000	2,334,528	408,000	1,700,952
Later than five years but not more than ten years	828,000	3,355,884	624,000	2,601,456
More than ten years	745,500	3,021,512	576,000	2,401,344
	2,281,500	9,246,920	1,704,000	7,103,976

### c) Capital expenditure and other service commitments

There was no capital expenditure or other service commitments as at 31 December 2010.

## 21. Cash And Cash Equivalents

Cash on hand
Balances with other banks: (note 10)
Current accounts
Fixed deposits (less than three months)
Current accounts with the Central Bank (note 9)

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 22. Cash Generated From Operating Activities

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
<b>OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	1,342,087	5,439,478	(309,287)	(1,289,418)
Adjustments for:				
Allowance for bad and doubtful debts	677,041	2,744,047	13,888	57,899
Depreciation	144,197	584,430	73,803	307,685
Amortisation	60,327	244,505	26,241	109,399
Net interest income	(2,158,793)	(8,749,588)	(106,542)	(444,174)
Cash flows from operating profits before changes in operating assets and liabilities	64,859	262,872	(301,897)	(1,258,609)
Changes in operating assets and liabilities:				
Increase in loans and advances to customers	(67,704,067)	(274,404,584)	(1,388,832)	(5,790,041)
Increase in deposits and placements with other banks	(7,000,000)	(28,371,000)	-	-
Increase in other assets	(110,719)	(448,744)	(114,863)	(478,864)
Increase in deposits from banks	36,000,255	145,909,034	20,083,900	83,729,779
Increase in deposits from non-bank customers	7,774,025	31,508,123	1,916,875	7,991,452
Increase in accruals and other liabilities	32,662	132,382	37,954	158,230
Cash generated from operations	(30,942,985)	(125,411,917)	20,233,137	84,351,947

### 23. Related Party Transactions And Balances

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

#### a) Related party balances

	2010	2010	2009	2009
	US\$	Riel '000	US\$	Riel '000
Due from:				
Balance with head office (note 10)	3,110,192	12,605,608	2,970,402	12,383,606
Loans and advances to customers				
SBJ (Cambodia) Plc	7,000,000	28,371,000	-	-
Saigon Phnom Penh Land Holding	7,355,600	29,812,247	-	-
	17,465,792	70,788,855	2,970,402	12,383,606



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

Loan and advance to related party carry interest at rates ranging from 4.5% to 5.5% per annum.

	2010	2010	2009	2009
	US\$	Riel '000	US\$	Riel '000
Due to:				
Deposit from head office (note 16)	50,004,155	202,666,840	20,003,900	83,396,259
Deposits from customers:				
SBJ (Cambodia) Plc	243,957	988,758	-	-
Sacombank Securities (Cambodia) Plc	278,700	1,129,571	-	-
	50,526,812	204,785,169	20,003,900	83,396,259

Amount due to related party carry interest at rates ranging from 0.5% to 1% per annum.

### b) Related party transactions

	2010	2010	2009	2009
	US\$	Riel '000	US\$	Riel '000
Expense:				
Interest expense paid/payable	17,920	1,183,104	-	-
Income:				
Interest income earned	291,908	1,183,104	-	-

### c) Key management personnel remuneration

Salaries and other short-term benefits (key management)	
Total	

## 24. FINANCIAL RISK MANAGEMENT

The Branch's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is an inherent part of the finance business, and operational risks are an inevitable consequence of being in business.

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

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 24. FINANCIAL RISK MANAGEMENT (Continued)

#### 24.1 Credit risk

The Branch takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Branch by failing to discharge an obligation. Credit risk is the most important risk for the Branch's business. Credit exposure arises principally in lending activities that lead to 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 Branch's credit committee.

##### a) Credit risk measurement

Exposure to credit is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees. Management performs credit assessment on a yearly basis after loans and advances have been disbursed to analyse the financial conditions and performance of the borrowers.

##### b) Risk limit control and mitigation policies

The Branch operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Branch manages limits and controls concentrations of credit risk whenever they are identified. Large exposure is defined by the Central Bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth

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

The Branch 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 common practice. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types securing loans and advances to customers are:

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

##### c) Impairment and provisioning policies

The Branch follows the mandatory loan classification and provisioning rules required by Prakas B7-09-074, dated 25 February 2009, on loans classification and provisioning for banks and financial institutions. This Prakas applies to loans and advances or other assets with a similar nature. The Prakas replaces existing Prakas B7-00-51 and B702-145 from 25 February 2009. The minimum mandatory loan loss provision is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, unless other information is available that indicates worsening.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

The table below shows loan classifications and minimum provisioning requirements:

Classifications	Minimum Provisioning Requirements
Standard	1%
Special mention	3%
Sub-standard	20%
Doubtful	50%
Loss	100%

Both past due and qualitative factors shall be taken into account for loan classification and provisioning.

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Credit risk exposures relating to on-balance sheet assets:				
Balances with other banks	18,015,818	73,018,110	11,126,007	46,384,323
Loans and advances:				
Short-term loans	54,096,207	219,251,926	690,640	2,879,277
Long-term loans	14,996,692	60,781,593	698,192	2,910,762
	69,092,899	280,033,519	1,388,832	5,790,039
Allowance for bad and doubtful debts	(690,929)	(2,800,335)	(13,888)	(57,899)
Net loans and advances	68,401,970	277,233,184	1,374,944	5,732,140
Other assets	802,541	3,252,699	40,847	170,291
	87,220,329	353,503,993	12,541,798	52,286,754
Credit risk exposures relating to off-balance sheet items:				
Undrawn credit facilities	15,040,202	60,957,939	-	-
Letters of credit	291,245	1,180,416	105,004	437,762
Bank guarantees	-	-	45,000	187,605
	15,331,447	62,138,355	150,004	625,367
	102,551,776	415,642,348	12,691,802	52,912,121

The above table represents a worst-case scenario for credit risk exposure to the Bank at 31 December 2010, without taking account of any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

As shown above, 81.65% and 17.57% of total maximum exposure are derived from loans and advances to customers and balance with banks, respectively.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

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

- 100% of loans and advances are recovered by collateral and credit limits given are normally less than value of collateral.
- 100% of loans and advances to customers are considered to be neither past due nor impaired.
- 17.26% of balances with other banks represent deposits with head office.

### e) Loans and advances

Loans and advances are summarised as follows:

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Loans and advances neither past due nor impaired	69,092,899	280,033,519	1,388,832	5,790,039
Loans and advances past due but not impaired	-	-	-	-
Loans and advances individually impaired	-	-	-	-
Gross	69,092,899	280,033,519	1,388,832	5,790,039
Less:				
Provision for doubtful debts	(690,929)	(2,800,335)	(13,888)	(57,899)
Net loans and advances to customers	68,401,970	277,233,184	1,374,944	5,732,140

For the purpose of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirement. The total allowance for bad and doubtful debts is US\$690,929 (2009: US\$13,888), which represents 1% of general provision.

### i) Loans and advances neither past due nor impaired

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

### f) Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties have to be sold within one year as required by the Central Bank. Repossessed property is classified in the balance sheet as foreclosed properties, if any exist.



## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### g) Concentration of financial assets with credit risk exposure

#### (i) Geographical sector

The following table breaks down the Branch's main credit exposures at their carrying amount, as categorised by geographical region as at 31 December 2009. For this table, the Branch has allocated exposure based on the country of domicile of the counterparties

	Financial institution	Wholesale and retail	Real estate	Services	Import	Textile industries	Export	Personal use	Other	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2010										
Balances with other banks	18,015,818	-	-	-	-	-	-	-	-	18,015,818
Loans and advances	-	15,445,813	7,282,045	3,405,065	2,408,900	693,000	237,600	58,751	38,870,796	68,401,970
Other assets	663,251	-	139,050	-	-	-	-	-	240	802,541
As at 31 December 2010	18,679,069	15,445,813	7,421,095	3,405,065	2,408,900	693,000	237,600	58,751	38,871,036	87,220,329
In KHR'000 equivalents	75,706,267	62,601,880	30,077,698	13,800,728	9,763,272	2,808,729	962,993	238,118	157,544,309	353,503,994
31 December 2009										
Balances with other banks	11,126,007	-	-	-	-	-	-	-	-	11,126,007
Loans and advances	-	49,500	-	500,768	188,734	495,000	99,000	41,942	-	1,374,944
Other assets	40,847	-	-	-	-	-	-	-	-	40,847
As at 31 December 2009	11,166,854	49,500	-	500,768	188,734	495,000	99,000	41,942	-	12,541,798
In KHR'000 equivalents	46,554,614	206,366	-	2,087,702	786,832	2,063,655	412,731	174,856	-	52,286,756

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 24. FINANCIAL RISK MANAGEMENT (continued)

#### 24.2 Market risk

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

As of 31 December 2010, the Branch did not have financial instruments carried at fair value. The Branch does not use derivative financial instruments, such as foreign exchange contracts and interest rate swaps, to manage its risk exposure.

#### (i) Foreign exchange risk

The Branch operates in Cambodia and transacts in many currencies, and is exposed to various currency exposures.

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

The management monitors their foreign exchange risk against functional currencies. However the Branch is not required to hedge their foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contract.

The table below summarises the Branch's exposure to foreign currency exchange rate risk at 31 December 2010 and 2009. Included in the table are the Branch's financial instruments at carrying amount by currency in US\$ equivalent.

As at 31 December 2010	US\$	KHR	EUR	Gold	Other	Total
<b>Assets</b>						
Cash on hand	581,235	15,552	17,960	7,391,808	2,055	8,008,610
Balance with Central Bank	8,660,090	58,196	-	-	-	8,718,286
Balances with other banks	18,013,489	2,087	155	-	87	18,015,818
Loans and advances to customers	68,401,970	-	-	-	-	68,401,970
Other assets	802,541	-	-	-	-	802,541
<b>Total financial assets</b>	<b>96,459,325</b>	<b>75,835</b>	<b>18,115</b>	<b>7,391,808</b>	<b>2,142</b>	<b>103,947,225</b>
<b>Liabilities</b>						
Deposits from banks	56,084,155	-	-	-	-	56,084,155
Deposits to customers	9,633,581	2,894	15	53,584	826	9,690,900
Other liabilities	95,517	-	-	-	-	95,517
<b>Total financial liabilities</b>	<b>65,813,253</b>	<b>2,894</b>	<b>15</b>	<b>53,584</b>	<b>826</b>	<b>65,870,572</b>
<b>Net on-balance sheet position</b>	<b>30,646,072</b>	<b>72,941</b>	<b>18,100</b>	<b>7,338,224</b>	<b>1,316</b>	<b>38,076,653</b>
In Riel'000 equivalent (Unaudited)	124,208,530	295,630	73,359	29,741,822	5,334	154,324,675

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 24. FINANCIAL RISK MANAGEMENT (continued)

#### 24.2 Market risk (continued)

##### (i) Foreign exchange risk (continued)

As at 31 December 2009	US\$	KHR	EUR	Gold	Other	Total
<b>Assets</b>						
Cash on hand	82,541	12,095	5,109		595	100,340
Balance with Central Bank	23,026,963	56,741	-		-	23,083,704
Balances with other banks	11,120,831	-	5,176	-	-	11,126,007
Loans and advances to customers	1,374,944	-	-	-	-	1,374,944
Other assets	40,847	-	-	-	-	40,847
<b>Total financial assets</b>	<b>35,646,126</b>	<b>68,836</b>	<b>10,285</b>	<b>-</b>	<b>595</b>	<b>35,725,842</b>
<b>Liabilities</b>						
Deposits from banks	20,083,900	-	-	-	-	20,083,900
Deposits to customers	1,893,570	23,007	-	-	298	1,916,875
Other liabilities	5,541	-	-	-	-	5,541
<b>Total financial liabilities</b>	<b>21,983,011</b>	<b>23,007</b>	<b>-</b>	<b>-</b>	<b>298</b>	<b>22,006,316</b>
<b>Net on-balance sheet position</b>	<b>13,663,115</b>	<b>45,829</b>	<b>10,285</b>	<b>-</b>	<b>297</b>	<b>13,719,526</b>
<b>In Riel'000 equivalent (Unaudited)</b>	<b>56,961,526</b>	<b>191,061</b>	<b>42,878</b>	<b>-</b>	<b>1,238</b>	<b>57,196,703</b>

##### (ii) Price risk

The Branch is not exposed to securities price risk because it does not hold any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The Branch currently does not have a policy to manage its price risk.

##### (iii) 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 the market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The management at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch.

The table in note 25 summarises the Branch's exposure to interest rate risk. It includes the Branch's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

#### 24.3 Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its payment obligations associated with its financial liabilities when they fall due or to replace funds when they are withdrawn. The result may be a failure to meet obligations to repay depositors and fulfil commitments to lend.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
 Statement of Changes in Head Office's Equity  
 Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 24.3 Liquidity risk (Continued)

#### a) Liquidity risk management process

The management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of daily cash position and making projections for the next day, week and month respectively, as these are the key periods for liquidity management. The management monitors the movement of main depositors and makes projections about their withdrawals.

#### b) Funding approach

The Branch's main sources of liquidity are head office's paid-up capital and customers' deposits. The sources of liquidity are reviewed daily in management's daily review of the maturity of term deposits and key depositors.

#### c) Non-derivative cash flows

The table in note 26 presents the cash flows payable to the Branch under non-derivative financial liabilities organised by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Branch manages the inherent liquidity risk based on expected undiscounted cash in-flows.

#### d) Assets held for managing liquidity risk

The Branch holds a diversified portfolio of cash and highly-liquid certificate deposits to support payment obligations. The Branch's assets held for managing liquidity risk comprise:

- Cash on hand
- Balances with central bank
- Certificates of deposit with and other banks; and
- Second sources of liquidity in form of highly liquid (short term) loans and advances to customers (Branch's core business portfolio).

### 24.4 Fair value of financial assets and liabilities

#### (a) Financial instruments measured at fair value

The Branch did not have financial instruments measured at fair value.



**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet  
Statement of Changes in Head Office's Equity  
Cash Flow Statement  
**Noted to the Financial Statements**

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

**(b) Financial instruments not measured at fair value**

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Branch's balance sheet at their fair value:

	Carrying amount		Fair value	
	US\$	US\$	US\$	US\$
	2010	2009	2010	2009
Financial assets				
Balances with other banks (i)	18,015,818	11,126,007	18,015,818	11,126,007
Loans and advances to customers (ii)	68,401,970	1,374,944	68,401,970	1,374,944
Other assets	802,541	40,847	802,541	40,847
	87,220,329	12,541,798	87,220,329	12,541,798
Financial liabilities				
Deposits from banks (iii)	56,084,155	20,083,900	56,084,155	20,083,900
Due to customers (iii)	9,690,900	1,916,875	9,690,900	1,916,875
Accruals and liabilities	95,517	5,541	95,517	5,541
	65,870,572	22,006,316	65,870,572	22,006,316
Off-balance sheet financial instruments				
Undrawn credit facilities	15,040,202	-	15,040,202	-
Letters of credit	291,245	105,004	291,245	105,004
Bank guarantees	-	45,000	-	45,000
	15,331,447	150,004	15,331,447	150,004

**(i). Balances with other banks**

Balances with other banks include current accounts which are non-interest bearing, savings deposits and short-term deposits. The fair value of balances with other banks approximates the carrying amount; these balances will be mature within one year.

**(ii). Loans and advances to customers**

Loans and advances are net of provision for loan losses, and their carrying value approximates fair value. The allowance for bad and doubtful debts is made according to the requirements of the Central Bank's Prakas.

**(iii). Deposits from banks and due to customers**

The fair value of amounts due to other banks and customers approximates the carrying amount. The fair value of the amount due to other banks and customers with no stated maturities, which include non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using the interest rates of the debts. These deposits will mature within one year.

**SACOMBANK PHNOM PENH PROFILE**

Balance Sheet

Statement of Changes in Head Office's Equity

Cash Flow Statement

Noted to the Financial Statements

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 24. FINANCIAL RISK MANAGEMENT (continued)

#### 24.5 Capital management

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

- To comply with the capital requirement set by the Central Bank;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns for the head office; and
- To maintain a strong capital base to support the development of business.

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

The table below summarises the composition of regulatory capital:

	2010	2010	2009	2009
	US\$	Riel' 000	US\$	Riel' 000
Tier 1 Capital				
Head office capital	38,000,000	154,014,000	15,000,000	62,535,000
Accumulated profit/(loss)	799,663	3,241,034	(312,696)	(1,303,631)
Less: intangible assets	(215,510)	(873,462)	(275,837)	(1,149,964)
Regulatory capital/net worth	38,584,153	156,381,572	14,411,467	60,081,405

## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 25. INTEREST RATE RISK

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2010							
Assets							
Cash on hand	-	-	-	-	-	8,008,610	8,008,610
Balances with Central Bank	-	-	-	-	4,867,489	3,850,797	8,718,286
Placements with other banks and financial institutions	7,000,000	-	-	-	-	11,015,818	18,015,818
Loans and advances to customers	7,527,499	32,969,468	14,352,463	5,674,355	7,878,185	-	68,401,970
Other assets	-	-	-	-	-	802,541	802,541
Total financial assets	14,527,499	32,969,468	14,352,463	5,674,355	12,745,674	23,677,766	103,947,225
Liabilities							
Deposits from banks	-	6,000,000	-	-	-	50,084,155	56,084,155
Due to customers	6,892,954	1,450,681	1,307,265	40,000	-	-	9,690,900
Accruals and other liabilities	-	-	-	-	-	95,517	95,517
Total financial liabilities	6,892,954	7,450,681	1,307,265	40,000	-	50,179,672	65,870,572
Total interest repricing gap	7,634,545	25,518,787	13,045,198	5,634,355	12,745,674	(26,501,906)	38,076,653
In Riel' 000 equivalents (Unaudited)	30,942,811	103,427,644	52,872,187	22,836,041	51,658,217	(107,412,225)	154,324,675

# Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

## 25. INTEREST RATE RISK (Continue)

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 5 years		Over 5 years		Non-interest bearing		Total	
	US\$		US\$		US\$		US\$		US\$		US\$		US\$	
As at 31 December 2009														
Assets														
Cash on hand	-	-	-	-	-	-	-	-	-	-	100,340	-	100,340	-
Balances with Central Bank	-	-	-	-	-	-	-	-	2,001,200	-	21,082,504	-	23,083,704	-
Placements with other banks and financial institutions	-	5,500,000	-	-	-	-	-	-	-	-	5,626,007	-	11,126,007	-
Loans and advances to customers	-	-	-	-	676,752	698,192	-	-	-	-	-	-	1,374,944	-
Other assets	-	-	-	-	-	-	-	-	-	-	40,847	-	40,847	-
Total financial assets	-	5,500,000	-	-	676,752	698,192	-	-	2,001,200	-	26,849,698	-	35,725,842	-
Liabilities														
Deposits from banks	-	-	-	-	-	-	-	-	-	-	20,083,900	-	20,083,900	-
Due to customers	1,297,092	316,848	-	-	152,700	150,235	-	-	-	-	-	-	1,916,875	-
Accruals and other liabilities	-	-	-	-	-	-	-	-	-	-	5,541	-	5,541	-
Total financial liabilities	1,297,092	316,848	-	-	152,700	150,235	-	-	-	-	20,089,441	-	22,006,316	-
Total interest repricing gap	(1,297,092)	5,183,152	-	-	524,052	547,957	-	-	2,001,200	-	6,760,257	-	13,719,526	-
In Riel' 000 equivalents (Unaudited)	(5,407,577)	21,608,561	-	-	2,184,773	2,284,433	-	-	8,343,003	-	28,183,511	-	57,196,704	-



## Notes To The Financial Statements

For the Year Ended 31 December 2010 (Continued)

### 26. LIQUIDITY ANALYSIS)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	On demand	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2010							
Liabilities							
Deposits from banks	-	6,028,125	-	-	-	50,084,155	56,112,280
Due to customers	44,424	1,461,152	1,353,624	44,272	-	6,849,385	9,752,857
Accruals and other liabilities	37,277	37,674	18,426	2,140	-	-	95,517
Total financial liabilities (contractual maturity dates)	81,701	7,526,951	1,372,050	46,412	-	56,933,540	65,960,654
In Riel' 000 equivalents (Unaudited)							
At 31 December 2009	331,134	30,506,731	5,560,918	188,108	-	230,751,637	267,338,528
Liabilities							
Deposits from banks	-	-	-	-	-	20,083,900	20,083,900
Due to customers	-	317,994	157,847	161,676	-	1,297,092	1,934,609
Accruals and other liabilities	-	5,541	-	-	-	-	5,541
Total financial liabilities (contractual maturity dates)	-	323,535	157,847	161,676	-	21,380,992	22,024,050
In Riel' 000 equivalents (Unaudited)	-	1,348,817	658,064	674,027	-	89,137,356	91,818,264

## SCHEDULE 1

LIQUIDITY RATIO as at 31 December 2010

LIQUIDITY RATIO	2010
	US\$
NUMERATOR	
1. Treasury balance	
- Debit items	
- Cash and gold	8,008,610
- Deposits with the Central Bank (excluding statutory deposits)	1,715,819
- Balance and placement with other banks and financial institutions	18,015,818
- Portion of lending to banks and FI with not more than one month to run	-
	27,740,247
Less:	
- Credit items	
- Credit balances on sight accounts maintained with the Central Bank, banks or financial institutions	-
- Borrowings from the Central Bank and other banks with not more than one month to run	-
Net balance – lender position	27,740,247
2. Lending with not more than one month to run (excluding loans with no maturity)	-
3. Treasury bills with not more than one month to run	-
TOTAL NUMERATOR (A)	27,740,247
DENOMINATOR	
1. 80% of fixed deposits and certificate of deposits having not more than one month to run	476,459
2. 50% of fixed deposits and certificate of deposits having more than one month to run	4,398,973
3. 50% of savings deposits	585,125
4. 60% of demand deposits	33,126,771
TOTAL DENOMINATOR (B)	38,587,328
LIQUIDITY RATIO (C) = (A/B)	71.89%

## SCHEDULE 2

Net Worth as at 31 December 2010

	2010
NET WORTH (CURRENT METHOD)	US\$
Paid-up capital	38,000,000
Reserves other than revaluation	-
Premiums related to capital	-
Provisions for general banking approved by the Central Bank	-
Audited after tax profit - latest financial year	1,112,359
Retained earnings from prior years	-
Other items approved by the Central Bank	-
Total (A)	39,112,359
Less:	
Unpaid portion of capital	-
Advances and loans to related parties	-
Treasury stocks (holding of own shares)	-
Accumulated loss brought forward	312,696
Loss incurred for the year	-
Intangible assets including formation expenses	215,510
Dividends payable	-
Provisions to be constituted for doubtful debts and securities	-
Total (B)	528,206
Base Net Worth (C) = (A – B)	38,584,153
Revaluation reserves, with the prior agreement of the Central Bank	-
Subordinated loans, with the prior agreement of the Central Bank	-
Other items, with the prior agreement of the Central Bank	-
Total Items to be Added (D)	-
Less:	
Equity participation in banking or financial institutions	-
Other items	-
Total Items to be Deducted (E)	-
Net Worth (F) = (C + D - E)	38,584,153

## SCHEDULE 3

Net Worth As At 31 December 2010

NET WORTH (NEW METHOD)	2010
	US\$
Tier: (Core Capital)	
I. Subtotal - A	
Paid-up capital	38,000,000
Reserves (other than revaluation reserves: Translation reserve, general reserve and capital reserve)	-
Audited net profit (last financial year)	1,112,359
Retained earnings brought forward (restated)	-
Other item (approved by the Central Bank)	-
Premiums related to capital	-
Other items approved by the Central Bank	-
Total (A)	39,112,359
Limit check on retained earnings: Max 20% of Total A	
II. Subtotal - B	
Own shares held (at book value)	-
Accumulated losses	312,696
Intangible assets to be deducted	215,510
Shareholders, Directors, Related Parties (deduct)	
1. Unpaid portion(s) of capital (a)	-
2. Loans, overdrafts and other advances (b)	-
3. Debt instruments held bearing signature of Shareholders, Directors, Related Parties (c)	-
Other losses	-
Total (B)	528,206
Total Tier 1 (Core Capital) (A) - (B)	38,584,153
Tier: (Complementary Capital)	
III. Sub-Total C	
Revaluation reserves (approved by the Central Bank)	-
Provisions for general banking risks (approved by the Central Bank)	-
1% General provision (Prakas on Asset Classification)	690,929
Subordinated debt instruments (approved by the Central Bank)	-
Other items (approved by the Central Bank)	-
Total (C)	690,929
Limit check on Subordinated Debt (max. 50 % of Tier 1 Capital)	
IV. Sub-Total D (Tier 2, Deductions)	
Equity participations in banking and financial Institution	-
Other items to be deducted (deferred charge)	-
Total (D)	-
Total Tier 2 (Complementary Capital) (C) - (D)	690,929
Limit check on Tier 2 capital (Tier 2 = max. 100 % of Tier 1)	
Regulatory Net Worth (A)- (B) + (C) - (D)	39,275,082



## SCHEDULE 4

### Solvency Ratio Calculation At 31 December 2010

SOLVENCY RATIO				
			2010	2010
			Current net worth	New net worth
Numerator (N)			US\$	US\$
Net Worth			38,584,153	39,275,082
	Assets	Weighting		
Denominator				
Total gross assets				
- Cash, gold and claims on the Central Bank	16,726,896	0%	-	-
- Assets collateralised 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-	-	20%	-	-
- Claims on sovereign rated BBB+ to BBB-		50%	-	-
- Claims on banks rated A+ to A-	2,242,452	50%	1,121,226	1,121,226
- Other assets (*)	85,445,819	100%	85,445,819	85,445,819
Total assets as reported in the balance sheet	104,415,167		86,567,045	86,567,045
Off-balance sheet items				
- Full risk	-	100%	-	-
- Medium risk	-	50%	-	-
- Moderate risk	-	20%	-	-
- Low risk	291,245	0%	-	-
	291,245		-	-
Denominator (D1)			86,567,045	86,567,045
SOLVENCY RATIO: (S = N / D1)			44.57%	45.37%

## Computation of Other Ratios

As at 31 December 2010

		2010	2010
		(Current	(New
		net worth)	net worth)
CAPITAL			
1	Equity to total assets (A/B)	36.97%	36.97%
	A – Equity	38,799,663	38,799,663
	B – Total assets	104,943,373	104,943,373
2	Capital Tier I to total assets (A/B)	36.21%	36.21%
	A – Capital Tier 1	38,000,000	38,000,000
	B – Total assets	104,943,373	104,943,373
3	Capital Tier I to risk-weighted assets (A/B)	43.90%	43.90%
	A – Capital Tier 1	38,000,000	38,000,000
	B – Risk-weighted assets	86,567,045	86,567,045
4	Capital Tier I + Tier II to risk-weighted assets (A/B)	43.90%	43.90%
	A – Capital Tier I + Tier II	38,000,000	38,000,000
	B – Risk-weighted assets	86,567,045	86,567,045
5	Net worth to assets (A/B)	36.77%	37.43%
	A – Net worth	38,584,153	39,275,082
	B – Total assets	104,943,373	104,943,373
6	Solvency ratio (A/B)	44.57%	45.37%
	A – Net worth	38,584,153	39,275,082
	B – Risk-weighted assets	86,567,045	86,567,045
7	Debt to total assets (A/B)	63.03%	63.03%
	A – Total liabilities	66,143,710	66,143,710
	B – Total assets	104,943,373	104,943,373
8	Debt-equity ratio (A/B)	170.47%	170.47%
	A – Total liabilities	66,143,710	66,143,710
	B – Equity	38,799,663	38,799,663
9	Dividend to net profit (A/B)	-	-
	A – Dividend	-	-
	B – Net profit	1,112,359	1,112,359

## Computation of Other Ratios

As at 31 December 2010

		2010	2010
		(Current	(New
		net worth)	net worth)
ASSETS QUALITY			
10	Banking reserves to total loans (A/B)	0.00%	0.00%
	A – Banking reserves	-	-
	B – Total loans (gross)	69,092,899	69,092,899
11	Banking reserves to total assets (A/B)	0.00%	0.00%
	A – Banking reserves	-	-
	B – Total assets	104,943,373	104,943,373
12	Non-performing loans to total loans (A/B)	0.00%	0.00%
	A – Non-performing loans	-	-
	B – Total loans (gross)	69,092,899	69,092,899
13	Non-performing loans to total assets (A/B)	0.00%	0.00%
	A – Non-performing loans	-	-
	B – Total assets	104,943,373	104,943,373
14	Classified assets to total loans (A/B)	0.00%	0.00%
	A – Classified assets	-	-
	B – Total loans (gross)	69,092,899	69,092,899
15	Classified assets to total assets (A/B)	0.00%	0.00%
	A – Classified assets	-	-
	B – Total assets	104,943,373	104,943,373
16	Classified assets to total equity (A/B)	0.00%	0.00%
	A – Classified assets	-	-
	B – Total equity	38,799,663	38,799,663
17	Loans to related parties to total loans (A/B)	20.78%	25.28%
	A – Loans to related parties	14,355,600	17,465,792
	B – Total loans (gross)	69,092,899	69,092,899
18	Large exposure to total loans (A/B)	72.72%	72.72%
	A – Large exposure	50,244,489	50,244,489
	B – Total loans (gross)	69,092,899	69,092,899
19	Loans to related parties to net worth (A/B)	37.21%	36.55%
	A – Loans to related parties	14,355,600	14,355,600
	B – Net worth	38,584,153	39,275,082
20	Large exposure to net worth (A/B)	130.22%	127.93%
	A – Large exposure	50,244,489	50,244,489
	B – Net worth	38,584,153	39,275,082
21	General provision to net worth	1.00%	1.00%
	A – General provision	690,929	690,929
	B – Total loans (gross)	69,092,899	69,092,899

## Computation of Other Ratios

As at 31 December 2010

		2010 (Current net worth)	2010 (New net worth)
22	Specific provision to total loans (A/B)	0.00%	0.00%
	A – Specific provision	-	-
	B – Total loans (gross)	69,092,899	69,092,899
23	Specific provision to non-performing loans (A/B)	0.00%	0.00%
	A – Specific provision	-	-
	B – Non-performing loans	-	-
24	All allowances to total assets (A/B)	0.66%	0.66%
	A – Total all allowances	690,929	690,929
	B – Total assets	104,943,373	104,943,373
25	Loans to deposits (A/B)	105.04%	105.04%
	A – Total loans to non-bank customers (gross)	69,092,899	69,092,899
	B – Customer's deposits	65,775,055	65,775,055
EARNINGS			
26	Return on assets (A/B)	1.06%	1.06%
	A – Net profit	1,112,359	1,112,359
	B – Total assets	104,943,373	104,943,373
27	Return on equity (A/B)	2.87%	2.87%
	A – Net profit	1,112,359	1,112,359
	B – Equity	38,799,663	38,799,663
28	Gross Yield (A/B)	2.16%	2.16%
	A – Interest income	2,263,997	2,263,997
	B – Total assets	104,943,373	104,943,373
29	Net interest margin (NIM) to total assets ((A-B)/C)	2.06%	2.06%
	A – Interest income	2,263,997	2,263,997
	B – Interest expense	105,204	105,204
	C- Total assets	104,943,373	104,943,373
30	Other income (OTNC) = (A/B)	1.03%	1.03%
	A – Other incomes	1,084,209	1,084,209
	B – Total assets	104,943,373	104,943,373
31	Provision to total assets (A/B)	0.66%	0.66%
	A – Provision	690,929	690,929
	B – Total assets	104,943,373	104,943,373



## Computation of Other Ratios

as at 31 December 2010

		2010 (Current net worth)	2010 (New net worth)
32	Overhead (OHEAD) = (A/B)	1.03%	1.03%
	A – Non-interest expense	1,084,209	1,084,209
	B – Total assets	104,943,373	104,943,373
33	Net income before tax (NIBT) = (A/B)	1.28%	1.28%
	A – Net income before tax	1,342,087	1,342,087
	B – Total assets	104,943,373	104,943,373
34	Tax to total assets (A/B)	-0.03%	-0.03%
	A – Tax	(32,218)	(32,218)
	B – Total assets	104,943,373	104,943,373
35	Interest margin to gross income ((A-B)/C)	64.48%	64.48%
	A – Interest income	2,263,997	2,263,997
	B – Interest expense	105,204	105,204
	C – Gross income	3,348,206	3,348,206
36	Non-interest income to gross income (A/B)	32.38%	32.38%
	A – Non-interest income	1,084,209	1,084,209
	B – Gross income	3,348,206	3,348,206
37	Non-interest expense to gross income (A/B)	-56.77%	-56.77%
	A – Non-interest expense	(1,900,915)	(1,900,915)
	B – Gross income	3,348,206	3,348,206
38	Times interest earned ((A+B)/C)	(11.76)	(11.76)
	A – Income before tax	1,342,087	1,342,087
	B – Interest expense	(105,204)	(105,204)
	C – Interest expense	(105,204)	(105,204)
LIQUIDITY			
39	Liquid assets (A/B)	26.43%	26.43%
	A – Liquid assets	27,740,247	27,740,247
	B – Total assets	104,943,373	104,943,373
40	Short-term liabilities (A/B)	8.56%	8.56%
	A – Short-term liabilities (less than one year)	8,980,701	8,980,701
	B – Total assets	104,943,373	104,943,373
41	Net liquid assets ((A-B)/C)	28.36%	28.36%
	A – Liquid assets	27,740,247	27,740,247
	B – Short-term liabilities (less than one year)	8,980,701	8,980,701
	C – Total liabilities	66,143,710	66,143,710
42	Quick ratio (A/B)	308.89%	308.89%
	A – Quick assets	27,740,247	27,740,247
	B – Current liabilities	8,980,701	8,980,701
43	Deposit to total loans (A/B)	14.03%	14.03%
	A – Total customers' deposits	9,690,900	9,690,900
	B – Total loans to non-bank customers (gross)	69,092,899	69,092,899