

# 2010 Annual Report

Global Strength, Local Leadership

ANZ Royal Bank Annual Report 2010

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Integrity

- Do what is right

Collaboration

- Work as one

Accountability

- Own your actions

Respect

- Value every voice

Excellence

- Be your best





## Neak Oknha Kith Meng

### Our performance

In 2010, Cambodia recovered from the severe impact of the Global Financial Crisis in 2009. ANZ Royal was able to benefit from this recovery, with revenue growth of 17.5%, up from 10% growth the year before. With expenses well managed at just 2.6% growth for the year, the Bank achieved strong underlying profit growth of 68%.

Our credit provisions for 2010 were just \$0.7 million, assisted by the recovery of some credit provisions taken in 2009.

The bottom line result was a profit of \$8.1 million for 2010, up \$12.7 million from the previous year. This is a record result for ANZ Royal, and one we are all very proud of.

Total assets of the Bank increased by 18% to \$599 million, while customer deposits increased by 17% to \$508 million. The Bank retains a high level of liquidity.

### Supporting our customers

Last year, I wrote about our commitment to supporting our customers through the economic downturn, where they had a viable underlying business and strong asset position.

We are already seeing the benefits of this strategy, with no bad debt write-offs required during the year and substantial doubtful debt recoveries made. By the end of this current year, we expect to largely recover most of the doubtful debt provisions raised during 2009.

### Supporting the community

I have a very strong personal commitment to supporting the Cambodian community, so it is very pleasing to see the role that ANZ Royal and our staff have played in this. Last year, our staff organised over 20 programmes and supported 60 community activities, with over 3,500 hours of ANZ Royal employees' time being spent on volunteering activities. Our staff also worked hard to assist fund-raising efforts following the Koh Pich stampede tragedy.

I would like to sincerely thank the staff of ANZ Royal for their dedication and hard work. I believe we have the best people in the industry, and they have been an integral part of our success.

## Stephen Higgins

### A good year

In 2010, we delivered a record result for our shareholders, with a profit of \$8.1 million driven by record revenue and careful expense management. While it is still early in 2011, we are on track for an even better year.

### Cambodia's leading international bank

Over the past 12 months, ANZ Royal has strengthened its position as Cambodia's leading international bank. Our parent company ANZ has one of the leading banking networks in the Asia Pacific, allowing us to offer our customers support and connections which no other bank can match.

During the year, we introduced a new online banking platform specifically designed for Corporate and Institutional customers, giving them much greater control over their cash management needs.

We have also updated our branding to align with ANZ Group and will progressively roll this out across our network in 2011.

### Competitive environment

The Cambodian Banking sector continues to strengthen under the guidance of the National Bank of Cambodia. We have seen new entrants come into the banking market, while the rebound in the economy has helped to strengthen the balance sheets of existing banks. This has made the market more competitive, particularly for lending, and we expect this to continue.

### Outlook for Cambodia

After a sharp contraction in economic growth in 2009, the past year has seen a rebound with economic growth of around 6% for 2010. In 2011, we expect growth to accelerate further to 7% or more, which will be one of the higher growth rates in Asia. Over the medium term, the continued investment in infrastructure and Cambodia's attractive demographics should lead to GDP growth rates in the range of 8% to 10%.

These rates of growth should provide attractive opportunities for our customers, and in turn for ANZ Royal.

THE BANK WITH THE STRONGEST GLOBAL NETWORK IN CAMBODIA





At ANZ Royal, our aim is to be the leading Retail bank for the rapidly emerging affluent customer segments. Our Retail Banking proposition is based on convenience, superior customer service, and simplicity.

Below are a few highlights of our achievements in 2010:

**Convenience**

- A 4th Premier Lounge was opened at the Independence Monument Branch
- We have improved our internet banking services, allowing customers to conduct even more of their banking activities without needing to visit a Branch
- Our ATM services now includes Electricity Bill Payments and Mobile Phone Top-Ups
- Re-launched Mortgage and Home Equity Loan products.

**Superior Customer Service**

- ‘Customer First’ training provides the foundation for our staff to improve the quality of the engagement they have with customers
- We pride ourselves on offering the best service to all of our customers by understanding their banking needs.

**Simplicity**

- We have made several changes to our products, policies and processes to ensure simplicity and ease for our customers
- We strive to provide our customers with simple and easy to read forms.

**What We Do**

Retail Banking is responsible for serving personal and business customers through our network of 19 branches, 130 ATMs, 650 Point of Sale terminals, internet banking, a 24-hour Call Centre and specialist sales staff.

Our Products and Services include:

- Savings and Chequeing Accounts
- Term Deposits and Credit Cards
- Home Loans and Home Equity Loans
- Domestic and International Transfers, Foreign Exchange
- ATMs and Point of Sale Terminals
- Bill Payments and Mobile Credit Top-Ups
- Internet Banking platform
- Premier Banking
- Payroll Services
- 24/7 Call Centre

**2010 Achievements**

- Increased deposits by 25 per cent
- Re-launched home loan products and new Internet Banking
- Re-launched savings products (Convenience Plus and Premier Plus)
- A new Premier Lounge at Independence Monument Branch
- Relocated several ATMs to more convenient locations.

**Our Goals for 2011**

Developing deeper banking relationships with our customers is our main focus for 2011 and we will embark on the following initiatives:

- Partnering our retail and corporate relationship managers to offer a more comprehensive service to our corporate customers and their employees
- Attract more affluent customers, by introducing new product packages
- Introduce a rewards programme for our credit card customers
- Build on our Electronic Banking services by offering enhanced functionality.

Additionally, we will continue to invest in our greatest asset, our employees, with further customer-focused training and career development throughout the year.



## Our Business Customers

Truly understanding our customer's needs so we can provide relevant and competitive products and services is our core business philosophy. We strive to develop a deep and insightful understanding of our client's key strategic objectives.

By providing dedicated Relationship Managers and support from product specialists in the Trade and Supply Chain, Payments and Cash Management and Markets, we offer genuine banking partnerships.

Our clients range from small and medium businesses, large local corporations, regional and multinational corporations to diplomatic corps, NGOs and multilateral agencies.

## 2010 Achievements

Highlights for Corporate & Institutional Banking during 2010 included:

- Launching a world-class combined Cash Management and Trade Services platform called 'ANZ Royal Transactive'
- Implementation of our Greater Mekong Strategy dedicated to maximising cross-border trade and business flows within the Region: Cambodia, Vietnam and Laos
- Expansion of our Financial Markets capability by introducing Khmer Riel Swaps. This minimises vulnerability to exchange rate exposure for clients who operate in dual currencies, KHR and USD. Interest Rate Swaps and Cross Currency Swaps were also introduced
- Providing finance for a number of large corporate projects through partnering with ANZ in Singapore.

## What we offer

Our value proposition is to provide world-class service to our business customers through dedicated relationship

management teams. Our Relationship Managers, together with product specialists, have developed a depth of industry and economic knowledge to ensure they understand and anticipate the business issues our clients face day to day, in order to tailor solutions to help our customers achieve their business goals.

ANZ Royal continues to expand its range of products and services to meet the growing banking and finance needs of the business community. We aim to match our pricing based on the business risks identified, the strength of the customers overall financial position, capacity and track record.

Our Transactional and Cash Management products provide a convenient and safe way for our customers to manage payments. The Trade Finance and Foreign Exchange services offer our customers the ability to manage the risks involved in international trade and provide a method to hedge potential supply risk or exchange rates movements.

## Our Goals for 2011

- Continue to develop close working relationships with our business customers through ongoing development and support of our dedicated Relationship Management and Product Specialist teams
- Leverage ANZ Banking Group's global trade finance expertise and worldwide network to provide specialised trade finance and international payments service and advice to minimise risk, and maximise returns for our customers
- Continue to increase our products and services in the Trade & Supply Chain, Payments & Cash Management and Financial Markets to ensure our customers have access to essential banking services to manage their business needs
- Expanding our customer relationships with a focus on agribusiness and manufacturing sectors
- Continue developing loan syndication opportunities to provide high level funding to the Cambodian market.



ANZ Royal continues to demonstrate a strong commitment to enhance the well-being and prosperity of the communities where our people live and work, and where our business operates.

In 2010, we focused on supporting five key areas: Education and Employment for Vulnerable Members of the Communities, Rural Development, Financial Capability, Responsible Practices, and Urban Sustainability.

Throughout 2010, volunteerism spirit geared up again as we organised over 20 programmes and supported 60 community projects, with over 3,500 hours of ANZ Royal employees' personal time being spent undertaking volunteering activities.

Our staff continue to proactively contribute to relief and recovery efforts in times of need for communities affected by disasters, primarily through fund-raising projects, often matched dollar-for-dollar by the Bank. We also extended support to our community partner, the Khmer Association for Vocation Training to provide training and job opportunities for more than 50 people with disabilities, including several landmines survivors.

In collaboration with Pour un Sourire d'Enfant (PSE), we also successfully pioneered an entrepreneurship development venture, "The ANZ Royal Five Dollar Programme" aimed at encouraging and mentoring youth on learning how to run a small business and make a profit, starting with only five dollars in capital.



## Our People

At ANZ Royal, our people are at the very heart of the way we operate our business and we believe that to successfully deliver a good strategy and outcome requires the right people. 'Enabling business success through people' is the core focus for us as we continue to attract and invest in the most talented people.

We endeavour to create a robust and challenging environment that supports high-performing individuals, empowering them to deliver to the best of their capability. We value our people's opinion through a 'Speak-Up' culture, recognising and rewarding them for their honesty and contribution.

Through learning and development opportunities, a high-performing culture and competitive incentive scheme, we strive to ensure that people feel a sense of personal achievement and connection to the work they do.

## Achievements in 2010:

In 2010, we filled 205 positions, 33 of these were new roles created during the year to meet our growth and business demands. In addition, 146 of the 205 roles were filled internally, giving our people even further opportunities to step up and diversify their skill base and experience.

Our training and development focus has been on the uplifting and broadening of capabilities for our people to become professional Bankers. Moving away from traditional product-based sales to consultative sales enables our people to provide value-added support and financial advice to our customers. Developing the next generation of leaders is critical for our future success; therefore leadership training continues to be a priority of ANZ Royal.

Development opportunities are not limited to Cambodian borders. Over the years, many of our people have been sent abroad to learn and be exposed to new ways of thinking, enriching their personal and professional experience and returning with a renewed confidence to contribute and lead ANZ Royal into the future.



As a service-orientated business, a key aspect for the success of ANZ Royal is a robust culture embedded across the organisation. In addition to embracing core values and customer centricity, the culture needs to promote good understanding of strategy and first-rate risk management.

Being a core capability of the Bank, the risk culture is infused in all areas of the operation. Beginning with induction, our staff continue to undergo extensive risk training to ensure that we focus on improving their capability, so they are better equipped not only to recognize risks, but how to monitor and control them. This awareness continues through ongoing programmes, targeted training and as a component of staff performance reviews.

The goal is to have world-class risk processes while ensuring we remain customer focused. The overall risk strategy is based on four strategic levers: customer, guardianship, delivering value and people.

There are dedicated teams that actively monitor, assess and control risk throughout the business. Oversight of risk activities are undertaken by the Audit and Risk committee and the Board of Directors, which meets regularly to review and discuss overall risk management across the bank.

A brief outline of the key areas of risk are as follows:

**Credit Risk** – is the risk of loss associated with the lending activities of the bank.

ANZ Royal has in place international standard credit policies and procedures, which leverage heavily for the considerable experience of the ANZ Group. These continue to be regularly refined and updated given the impact of changing global and regional economic and financial conditions.

2010 has seen good recovery from the effects of the Global Financial Crisis by businesses in Cambodia, with noticeable uplift in trading conditions across many industries. Our support continues in all areas where businesses are seen as viable and justified for support. As a consequence, we have

consciously exited some customers where it was considered that the actual, or likelihood of, increased risk was unjustified. All loans continue to be adequately provisioned, with full repayment expected. As business conditions continue to improve, the risk profile of the business will see further favourable movement.

**Market Risk** – is the risk of loss associated with changes in interest rates, exchange rates or other marketable financial instruments.

ANZ Royal has a dedicated team to offer customers a range of markets-related services. To deliver this, we leverage where appropriate from the global and regional resources of ANZ to offer tailored solutions to meet the needs of customers. This includes customers who have either Foreign Exchange or Interest Rate needs. Deposit services are also available in US Dollar and Khmer Riel as well as a range of foreign currencies.

Appropriate policies to deal with these risks have been implemented at ANZ Royal, including the review of Interest Rate Risk, Liquidity Risk and Foreign Exchange Risk procedures and appropriate monitoring, reporting and oversight review of exposures. Appropriate segregation of duties controls are used to mitigate risk.

**Operational Risk** – is the risk of loss associated with the breakdown of internal processes or controls or from external events.

Appropriate policies to deal with operational risk are in place.

Considerable ongoing work has also been expended during the year on refining the Bank's Regulatory Compliance Programme, and preparations to be able to effectively deal with unexpected disruptions to the business through our Business Continuity Planning and Disaster Recovery Planning.





Home Loan TV Commercial

Convenience Plus TV Commercial



Cambodia Outlook Conference

Convenience Plus Activation

Community Activities

Total Motocross Sponsorship

Career Forum

## Neak Oknha Kith Meng Chairman and Director

Neak Oknha Kith Meng is Chairman and Chief Executive Officer of the Royal Group of Companies. Meng has been the driving force behind bringing international business into Cambodia. Through alliances with leading global players, he has brought international quality service to the Telecoms, Media, Banking, Insurance, Education, Logistics and Hospitality industries. He is a passionate entrepreneur, who is committed to the development of the Cambodian economy through direct foreign investment.

He holds numerous significant roles in Cambodia, including President of the Cambodian Chamber of Commerce, the Phnom Penh Chamber of Commerce and holds the Cambodian seat at the ASEAN Business Advisory Council.

## Oknha Kith Thieng Director

Oknha Kith Thieng is Managing Director of the Royal Group of Companies. Being an integral and primary figure in the establishment and growth of the Group since its formation, he is actively involved in the Group with special interests in the media and entertainment, construction, property investment and service industries.

## Thuy Bich Dam Director

Thuy joined ANZ Investment Bank in Singapore in 1995 as the Director of Project Finance for Oil and Gas for ANZ Singapore, responsible for transactions of major oil & gas players in Asia. In 2005, she was appointed as the Chief Executive Officer (CEO) of ANZ Vietnam, overseeing full banking operations for all branches and transaction offices throughout the country, with 800 staff members under her leadership.

Prior to joining ANZ, Thuy was a founding partner of Investconsult Ltd., the largest and most respected foreign investment consulting firm in Vietnam. She was involved in several of the country's largest capital investment projects, working with several Fortune 100 companies as well as major American and European financial institutions.

Thuy has a Master of Business in Finance from the Wharton School of Business, Pennsylvania

## Nigel Denby Director

Nigel Denby joined ANZ in 2008 as Chief Risk Officer for Asia Pacific. Prior to this, he was with Nomura Asia as Regional Head for Risk Management and Credit, with overall responsibility for market, credit and operational risk management for Asia.

He brings with him over 26 years of experience in banking across Asia, the Middle East and South America, predominantly at HSBC where he held a series of important positions both in Risk Management and in the Corporate, Investment Banking and Markets Division. He graduated from Exeter University in England, with honours in Economics in 1983.

## Mark Hanna Director

Mark Hanna is an experienced international senior finance and operations executive. Mark joined the Royal Group in July 2007 and is responsible for the financial management and performance of the Group's diverse business interests. Prior to joining the Royal Group, Mark held several CEO & CFO roles throughout Asia in the Telecoms and Manufacturing industries.

Mark has a Bachelor's Degree in Accounting and is a member of the Chartered Institute of Management Accountants.

## Wayne Stevenson Director

As Chief Financial Officer for ANZ's Asia Pacific, Europe & America Division, Wayne Stevenson is responsible for the financial management and performance of the Group's banking businesses and partnership investments across the 29 countries outside the domestic markets of Australia and New Zealand.

Wayne joined ANZ following the acquisition of PostBank in 1988. He worked with ANZ in New Zealand as Chief Auditor until 1993, following which he relocated to Australia to head up the audit division responsible for the Group's Australian Operations. Since moving from Audit in 1995, he has held a number of senior Finance, Risk and Operations roles with ANZ - including Chief Financial Officer of ANZ's International Division, Chief Financial & Operating Officer of ANZ's Personal Banking and Wealth Management Businesses in Australia, and Chief Financial Officer of ANZ's Investment Bank.

Wayne was extensively involved in the establishment of ANZ Royal and has been involved with ANZ Royal at Board level since it began operations.

Wayne holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants New Zealand.

## Alex Thursby Director

Alex Thursby is ANZ's Chief Executive Officer for Asia Pacific, Europe and America.

In this role, Alex is responsible for ANZ businesses in 14 Asian markets and 12 countries in the Pacific as well as Europe, America and the Middle East.

He is leading the Group's strategic expansion in Asia with a strong focus on building ANZ's franchise in five priority markets - Greater China, India, Indonesia, Greater Mekong, and Malaysia, along with key regional hubs in Hong Kong and Singapore.

Alex is also responsible for the Group Strategy and Marketing functions as ANZ pursues its ambition to become a super regional bank in Asia Pacific.

Alex joined ANZ in 2007 after 20 years with Standard Chartered Bank, where he held various senior wholesale banking roles in Hong Kong, London, Indonesia, Singapore and the UAE. Immediately prior to joining ANZ, he was Senior Managing Director and Group Head of Corporate and Institutional Client Relationships, Wholesale Banking in Singapore.

British by birth, Alex completed his secondary and tertiary education in Australia.



• From left to right, seated: Stephen Higgins, Frandara Khuon  
 • From left to right back: Guanghui Chim, Thida Heng, Chris Harris, Chenda Khak, Joe Farrugia, Pok Pheakdey, Rohan George, Moniveark Sou, Deline Sieng



**Stephen Higgins**  
 Chief Executive Officer

Stephen Higgins joined ANZ Royal as CEO in May 2008 and has been with ANZ Group for over 17 years. Previous roles include Head of Investor Relations for ANZ Group, where he built the most highly regarded Investor Relations team in Australasia, with ANZ winning Best Investor Relations three years running. As part of the Investor Relations role, Stephen worked extensively with all major parts of ANZ, including the Asia business.

Stephen holds a Bachelor of Economics from Monash University, a Master of Applied Finance from Macquarie University, and a Masters of Business Administration from Melbourne Business School. He is also very active in the Cambodian business community as the immediate past President, and now Vice President, of the Australian Business Association of Cambodia and was previously the Vice-Chairman of the Association of Banks in Cambodia.

**David Marshall**  
 Head of Corporate & Institutional Banking Relationships

David Marshall joined ANZ Royal in May 2005 and currently leads the Corporate & Institutional Banking team, which covers relationship banking for ANZ Royal's top tiered corporate clients. He has over 13 years of banking experience within Cambodia, Canada and Singapore across a range of different businesses including Retail, Wealth Management, Operations and project management.

Roles within ANZ Royal include Relationship Manager, Corporate & Institutional Banking, Head of Small and Medium Enterprises and Head of Retail Lending. He was appointed to his current role in January 2011 and currently leads a team of Relationship Managers, who leverage capabilities from key product partners in Markets/ Foreign Exchange, Trade and Supply Chain and Payments and Cash Management to provide tailored solutions to suit individual client needs.

David holds a Bachelor in Sociology as well as completing several securities courses in Canada, including the Canadian Investment Funds Institute of Canada, Canadian Securities Course and Derivatives Fundamentals Course from the Canadian Securities Institute.

**Joe Farrugia**  
 Head of Retail Banking

Joe Farrugia joined ANZ Royal in January 2007 and is responsible for the overall Retail operation covering our network of 19 branches, our Premier Banking segment, Credit Cards/POS business, 24/7 Call Centre and 300 plus Retail banking staff, leading our retail distribution strategy.

Joe commenced with ANZ Bank in 1981 and in a career spanning over 30 years in retail banking, has covered all general branch banking roles including a number of years as branch manager before moving into an Area manager role, District Manager and Local CEO within Melbourne's North-Western Region.

Joe's drive for the retail business is clear as he strives to pass his experience to developing his people to guide the business into the future.



**Guanghai Chim**  
Chief Operating Officer

Guanghai (Hui) joined ANZ Royal as Service Quality Manager for Retail Banking in January 2007. His subsequent roles include Regional Manager overseeing the branch network outside of Phnom Penh. The Chief Operating Officer role encompasses Information Technology, Electronic Banking Services, Legal, Operating Risk, Quality Assurance, Internal Audit, Property, Procurement, Administration and Operations Support, and the processing areas of Trade, Markets, Lending, and Payments.

Prior to joining ANZ Royal he spent six years with British American Tobacco in various management roles and two years with local corporates as a consultant. Guanghai holds a Bachelor of Education from the Institute of Foreign Languages, Royal University of Phnom Penh, a Master of Arts in East Asian Languages and Cultures from the University of Kansas, USA where he was on a Fulbright scholarship, and a certificate in Chinese language from Nankai University, Tianjin, China.

**Khuon Frandara (Dara)**  
Head of Marketing & Premier Banking

Dara returned to Cambodia in 1993, after being educated in France and working abroad. Upon her return, she started her career as the Public Relations Manager of Sofitel Cambodiana Hotel and then moved on to manage the Cambodian branch of Exotissimo, after which she established her own travel business and café. Dara's background in marketing and sales were of great benefit in her first assignments with ANZ Royal when she joined in July 2006, rolling out the Point of Sale (POS) payment system and setting up credit card operations.

As Head of Marketing since July 2008, Dara works closely with Management and advertising agencies to build and develop the ANZ Royal brand. In her double role as Head of Marketing and Premier Banking, Dara & her team are also responsible for looking after the high end of ANZ Royal client's personal banking needs.

**Pok Pheakdey**  
Head of Finance

Pheakdey joined ANZ Royal in May 2008 as Finance Manager and was appointed Head of Finance in April 2010. She is responsible for reporting the overall financial performance and position of the Bank, incorporating the strategic direction in business performance projections, as well as ensuring the Bank's compliance with accounting policies, and Cambodian tax and regulatory requirements.

She has a strong background in Audit and Finance, having worked with KPMG Cambodia and British American Tobacco (Cambodia) as the Management Accounting Manager prior to joining ANZ Royal. She holds a Bachelor of Finance and Accounting from the National Institute of Management Cambodia and is currently pursuing her postgraduate degree from the ACCA (the Association of Chartered Certified Accountants).



**Chris Harris**  
Chief Risk Officer

Chris joined ANZ Royal in February 2006, holding a variety of senior roles prior to becoming the Chief Risk Officer in August 2009. He leads a team dedicated to optimising the risk quality and industry spread of the Bank's loan portfolio, while enhancing the risk capability of the Cambodian staff.

Chris has a 45-year career in banking, predominantly in the UK and Australia, and has been with the ANZ Group since 1972. Prior to working in Cambodia, he worked extensively throughout Australia and the Pacific in credit and risk roles. He brings to ANZ Royal a wealth of banking, relationship, credit and risk experience.

**Rohan George**  
Head of Global Markets

Rohan commenced with ANZ Royal in August 2009 and leads the Global Markets team. He is responsible for managing the Bank's interest rate and currency risk in addition to satisfying the financial market needs of our corporate customers.

He brings over 25 years of experience in fixed income, derivatives and currency markets spanning sales, trading, balance sheet and funds management with Banque National de Paris and investment bank, Schroders. Prior to joining ANZ Royal, Rohan was with Westpac Bank as Treasurer - PNG & Pacific Island Nations for eight years.

Rohan holds a Master of Applied Finance degree from Macquarie University, is a Registered Representative of the Sydney Futures Exchange and is accredited by the Australian Financial Markets Association.

**Chenda Khak**  
Head of Human Resources

Chenda joined ANZ Royal in March 2008 as the Training and Development Manager. In mid-2009, she was given further responsibilities as a Human Resources Consultant for the Institutional business and was recently promoted to the Head of Human Resources.

Prior to joining ANZ Royal, Chenda spent four years as a Political Assistant in the Diplomatic Community with the Embassy of the United States of America. During the course of her studies, she taught English in Cambodia and Japan, worked as a telemarketer in Japan and briefly dabbled in newscasting for a local TV station in Phnom Penh.

She holds a Bachelor of Arts Degree in Sociology and a Bachelor of Education Degree in English Language, both from the Royal University of Phnom Penh. In addition, Chenda earned her Masters Degree in International Relations from Sophia University, Japan on a two-year Japanese Government Funded Scholarship.

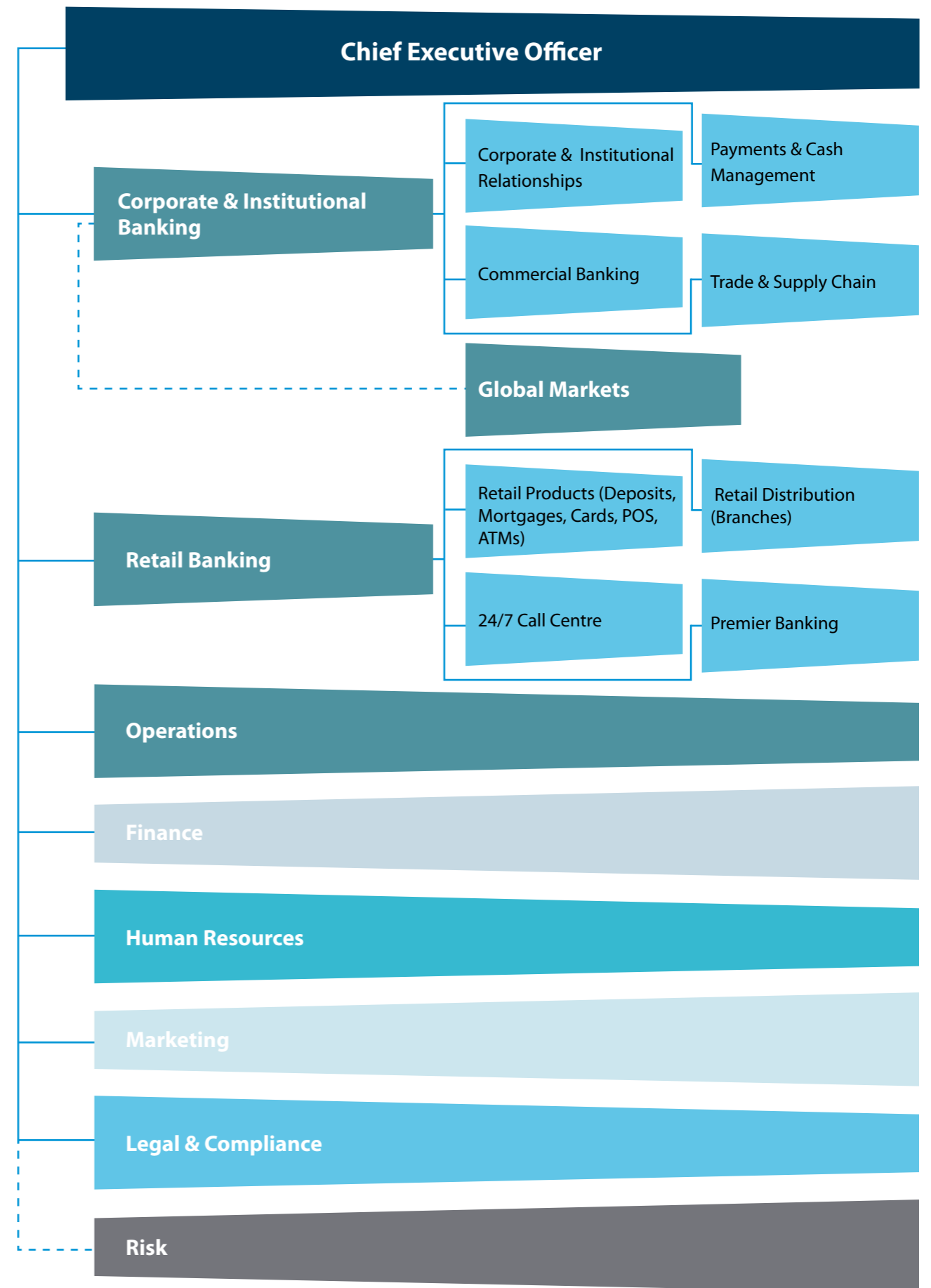


**Deline Sieng**

Head of Legal & Compliance and Company Secretary

Deline joined ANZ Royal as Head of Legal & Compliance in June 2010. Prior to joining ANZ Royal, Deline spent 3 years with Sciaroni & Associates as a Legal Advisor, more than 2 years with the Economic Institute of Cambodia as Legal Researcher and 2 years with the NBC. Deline also has 9 years of legal teaching experience at several universities in Phnom Penh, including the Centre for Banking Studies, Royal University of Law and Economics, Build Bright University and the University of Cambodia.

Deline holds 2 Bachelor of Law degrees: one from the Royal University of Law and Economics and one from the Université Lumière Lyon 2 in France through a long-distance study programme. From the latter university, Deline also holds a "Maîtrise" in Private Law and a Master in Public Administration after winning a two-year French government scholarship to pursue his legal studies in France.



- ANZ Royal's statutory underlying earnings before provision and tax for the year ended 31 December 2010 was \$10.8m, up 68% reflecting a strong performance in a competitive environment for the financial services industry in Cambodia
- Revenue growth of 17% was solid while costs increased by 3% reflecting efficiencies in cost management
- Provision charge reduced by 68% due to high quality asset writing
- Overall increase in our underlying performance demonstrates we are performing well.

**Key highlights in 2010 included:**

- Successfully managed cost of funds through the right product mix and continued growth on deposit book
- Improved the quality of the lending book
- Continued to localise several key management roles across the business, recognising the strength of our local staff and the benefits of our training and development programmes.

Statement of comprehensive income summary	2010	2009	Movt
	\$m	\$m	%
Net interest income	22.1	18.6	19%
Other operating income	10.9	9.5	15%
<b>Operating income</b>	<b>33.0</b>	<b>28.1</b>	<b>17%</b>
Operating expenses	- 22.2	- 21.7	3%
<b>Profit before doubtful debt provision</b>	<b>10.8</b>	<b>6.4</b>	<b>68%</b>
Provision for doubtful debt	- 0.7	- 11.0	-94%
<b>Profit before income tax</b>	<b>10.1</b>	<b>- 4.6</b>	<b>-317%</b>
Income tax expense	- 2.0	0.0	Large
<b>Net Profit after tax</b>	<b>8.1</b>	<b>- 4.6</b>	<b>-275%</b>

**Statement of comprehensive income summary**

**Revenue growth of 17%**

**Net interest income**

- Net interest income ("NII") is the difference between interest received from customer lending and interest paid by ANZ Royal to those providing our funding
- The underlying growth in our balance sheet and optimisation of our deposit mix saw NII increase by 19% to \$22.1m (2009: \$18.6m), despite a significant reduction in the rate of return on our excess deposits placed with the NBC due to falling USD interest rates that began in 2009. Our lending book has steadily grown to generate improved margins, despite a competitive and very price sensitive market.

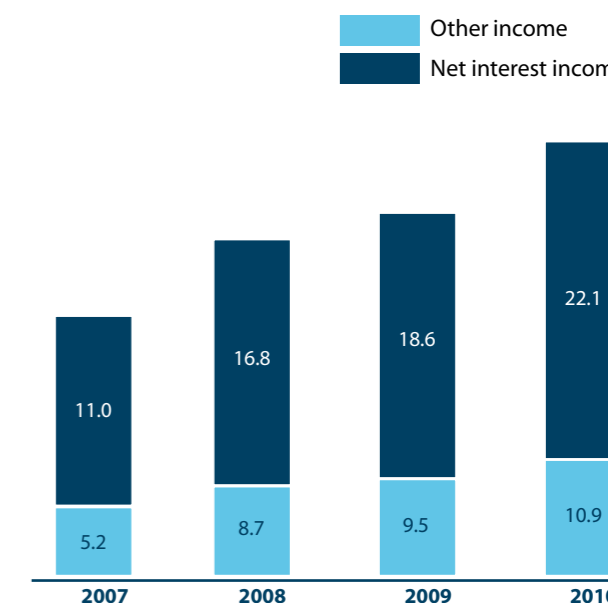
**Other operating income**

Other operating income mainly comprises of lending and non-lending fee income, trade fees and international payments income. We also earn foreign exchange income from dealing in non-USD currencies and other items, including fees from our electronic banking services.

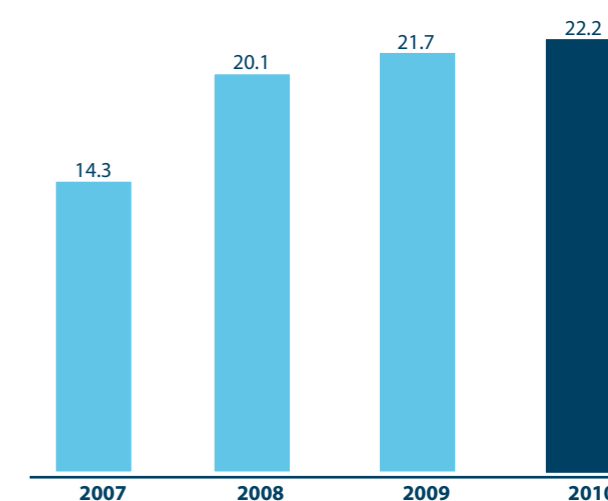
Other operating income increased 15% to \$10.9m in 2010. Key contributions to the other operating income lines include:

- Trade and international payments income of \$4.9m, generating 47% of non-interest income, remains a core income earner. The continued growth demonstrates we are winning customers on our ability to service their needs, reflecting our international brand and the ANZ global network
- Lending fee income, with the continued growth in lending volumes, as we sought to penetrate the institutional and commercial loan market and build strong customer networks. Recognition of lending fee income is based on International Financial Reporting Standards (IFRS), where the loan approval fee is spread and recognised over the term of the loan, rather than upfront
- Foreign exchange income recorded 43% growth as we continue seeking to promote greater foreign currency usage in Cambodia and provide suitable products to manage foreign currency risk.

**Total Revenue 2007-2010 (USD millions)**



**Total Operating Expenses 2007 - 2010 (USD millions)**



**3% cost growth compared to previous years resulting from careful cost management.**

Effective cost control predominantly under property which decreased 9%, while technology costs increased moderately by 14% due to investment in new innovative products.

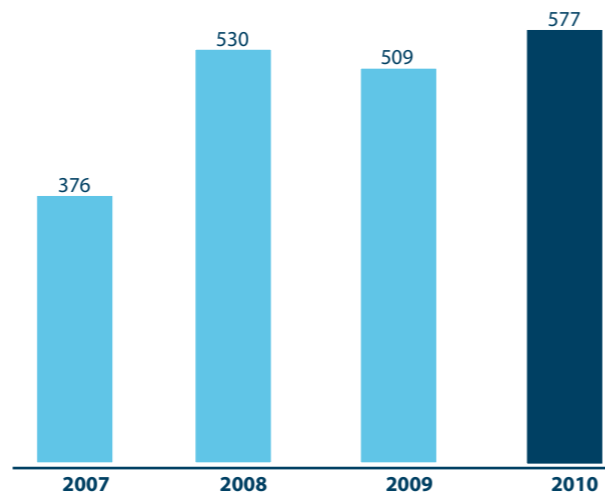
Personnel costs slightly increased at 3% given higher FTE numbers, partly offset with savings from a localisation programme. As at 31 December 2010, FTE was 577, versus 509 (restated: 555 according to FTE definition) FTE in the prior year.

**Provision for Credit Impairment**

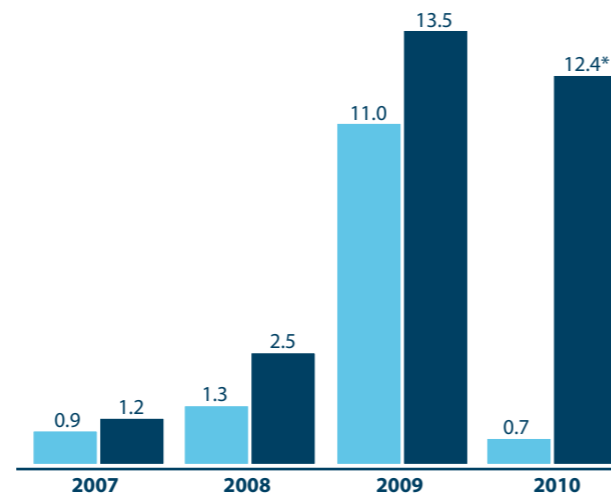
Provision for credit impairment allows for credit losses arising from the lending book. Specific and general provisioning is a requirement of the National Bank of Cambodia. Provision balance reduced by 9% reflecting recovery from specific provisions and quality in loan portfolio.

In 2010, a provisioning charge of \$0.7m (2009: \$11.0m) was booked to the profit and loss. Provision balance as a percentage of our total lending equates to 4% (2009: 5%). No losses have actually been incurred and management are of the view that the provisioning charges will largely reverse over the short to medium time frame as our customers' financial positions improve.

**Staff Numbers – FTE  
2007 - 2010**



**Provision for Credit Losses  
2007 – 2010  
(USD millions)**



\*Excludes interest unwind adjustment of 1.9m

■ Credit provisioning charge (P&L)  
■ Credit provisions (B/Sheet)

**Balance Sheet**

**Our balance sheet funding and liquidity remain strong. The deposit to loan ratio averaged 1.7 during the year, providing a solid foundation for growth.**

**Lending assets**

Our lending assets comprise of loans made to individuals, businesses and large corporations.

Gross lending assets increased 9% to \$295m (2009: \$270m), split \$256m institutional banking and \$39m retail banking. The institutional business led the loan growth against a competitive environment, while the consumer lending business was subdued mainly due to the property market downturn.

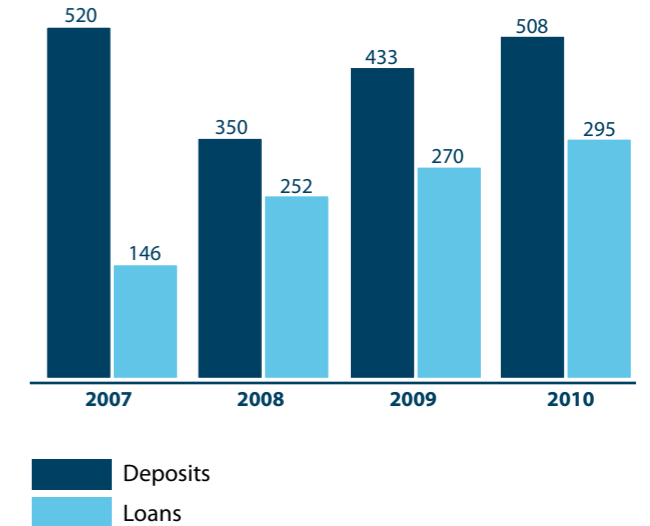
We continue to tailor our targeted approach to our different customer segments of Corporate, SME and consumer lending and this segmented approach is proving successful.

**Deposit liabilities**

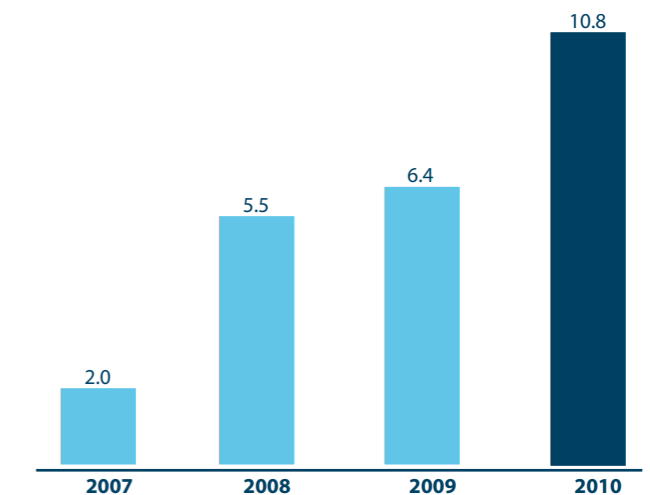
Our deposits grew 17% in 2010 to \$508m (2009: \$433m) resulting from our deposit product offering and focus on customer convenience and service.

A key focus in our deposit strategy has been to optimise the mix of our 'at call' and term deposits accounts – over the year, we have seen a steady increase in our at call deposit accounts, which has reduced the Bank's funding costs and delivered uplift in our underlying earnings. Term deposits still remain a key contribution to our deposit base.

**Balance Sheet Growth  
(USD millions)**



**Profit before Provisions & Tax  
2007 – 2010  
(USD millions)**



FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010 AND  
REPORT OF THE INDEPENDENT AUDITORS

CORPORATE INFORMATION

**Bank**

**ANZ Royal Bank (Cambodia) Ltd.**

**Registration No.**

Co. 2135/04E

**Registered Office**

20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I,  
Khan Daun Penh, Phnom Penh, Cambodia

**Shareholders**

ANZ Funds Pty Ltd.

Royal Group Finance Co., Ltd.

**Directors**

**Neak Oknha Kith Meng**

**Oknha Kith Thieng**

**Nigel Christopher William Denby**

**William Mark Hanna**

**Mark Timothy Robinson** (appointed on 2 March 2011)

**Alistair Marshall Bulloch** (appointed on 2 March 2011)

**Thuy Bich Dam** (appointed on 28 May 2010)

**Wayne Hugh Stevenson** (resigned on 2 March 2011)

**Alexander Vincent Thursby** (resigned on 2 March 2011)

**Kimberley Reid** (resigned on 28 May 2010)

**Auditor**

KPMG Cambodia Ltd.



The Directors have pleasure in submitting their report together with the audited financial statements of ANZ Royal Bank (Cambodia) Ltd. ('the Bank') for the year ended 31 December 2010.

## Principal activities

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

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

## Financial results

The financial results of the Bank for the year ended 31 December 2010 were as follows:

	US\$
Profit before income tax	10,058,648
Income tax expense	(1,999,965)
Profit after income tax	<u>8,058,683</u>

## Dividends

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

## Share capital

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

## Reserves and provisions

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

## Bad and doubtful loans and advances

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

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

## Current assets

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

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

## Valuation methods

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

## Contingent and other liabilities

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

- (a) any charge on the assets of the Bank that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

## Change of circumstances

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

## Items of unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

## Directors

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

**Neak Oknha Kith Meng**  
**Oknha Kith Thieng**  
**Nigel Christopher William Denby**  
**William Mark Hanna**  
**Mark Timothy Robinson** (appointed on 2 March 2011)  
**Alistair Marshall Bulloch** (appointed on 2 March 2011)  
**Thuy Bich Dam** (appointed on 28 May 2010)  
**Wayne Hugh Stevenson** (resigned on 2 March 2011)  
**Alexander Vincent Thursby** (resigned on 2 March 2011)  
**Kimberley Reid** (resigned on 28 May 2010)

## Directors' interests

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

## Directors' benefits

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

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

## Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010 and its financial performance, change in equity and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

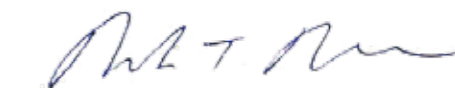
- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- (ii) comply with International Financial Reporting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation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

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

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



**William Mark Hanna**  
Director



**Mark Timothy Robinson**  
Director

Date: 31 Mar 2011

As at 31 December 2010

**To the shareholders  
ANZ Royal Bank (Cambodia) Ltd.**

We have audited the accompanying financial statements of ANZ Royal Bank (Cambodia) Ltd. ('the Bank'), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 33 to 65.

**Management's Responsibility for  
the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of ANZ Royal Bank (Cambodia) Ltd. as at 31 December 2010 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

We draw attention to Note 4 to the financial statements. The accompanying financial statements as at 31 December 2010 and for the year then ended have been translated into Khmer Riel solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements. The method of translation is specified by NBC and does not comply with International Financial Reporting Standards. We have reviewed the KHR equivalents and found them to be accurately translated, on the basis described in Note 4 to the financial statements.

For KPMG Cambodia Ltd.



**Tim Aman**  
Audit Partner

Phnom Penh  
31 Mar 2011

**Assets**

Note	2010		2009	
	US\$	KHR'000	US\$	
Cash and bank balances	5	128,545,265	520,993,959	106,096,320
Deposits and placements with banks	6	99,000,000	401,247,000	70,000,000
Net loans and advances	7	277,822,708	1,126,015,436	253,639,802
Regulatory deposits	8	71,838,930	291,163,183	60,431,766
Deferred tax assets, net	9	-	-	936,574
Other assets	10	8,916,288	36,137,715	2,464,651
Intangible assets	11	137,073	555,557	188,419
Premises and equipment	12	12,805,962	51,902,564	15,638,717
<b>Total assets</b>		<b>599,066,226</b>	<b>2,428,015,414</b>	<b>509,396,249</b>

**Liabilities**

Deposits from other banks		122,232	495,406	148,794
Deposits from customers	13	507,597,082	2,057,290,973	432,568,812
Borrowings	14	6,312,500	25,584,563	8,100,000
Income tax liability	9	366,649	1,486,029	33,357
Payables and other liabilities	15	13,363,516	54,162,330	5,655,908
Deferred tax liabilities, net	9	356,186	1,443,622	-
<b>Total liabilities</b>		<b>528,118,165</b>	<b>2,140,462,923</b>	<b>446,506,871</b>
<b>Net assets</b>		<b>70,948,061</b>	<b>287,552,491</b>	<b>62,889,378</b>

**Shareholders' equity**

Share capital	16	71,000,000	287,763,000	71,000,000
Accumulated losses		(51,939)	(210,509)	(8,110,622)
<b>Net shareholders' funds</b>		<b>70,948,061</b>	<b>287,552,491</b>	<b>62,889,378</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010		2009
		US\$	KHR'000	US\$
Interest income	17	28,322,482	114,791,020	27,825,195
Interest expense	18	(6,207,207)	(25,157,810)	(9,229,910)
Net interest income		22,115,275	89,633,210	18,595,285
Net fee and commission income	19	10,858,494	44,009,476	9,476,631
Operating income		32,973,769	133,642,686	28,071,916
Operating expenses	20	(22,219,426)	(90,055,334)	(21,660,286)
Profit before doubtful debt provision and income tax		10,754,343	43,587,352	6,411,630
Provision for doubtful debt	7	(695,695)	(2,819,652)	(11,042,182)
Profit/(loss) before income tax		10,058,648	40,767,700	(4,630,552)
Income tax expense	9	(1,999,965)	(8,105,858)	25,208
Profit/(loss) for the year		8,058,683	32,661,842	(4,605,344)

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share Capital	Accumulated Losses	Total
	US\$	US\$	US\$
Balance at 1 January 2009	65,000,000	(3,505,278)	61,494,722
Share capital issued	6,000,000	-	6,000,000
Net loss for the year	-	(4,605,344)	(4,605,344)
Balance as at 31 December 2009	71,000,000	(8,110,622)	62,889,378
Net profit for the year	-	8,058,683	8,058,683
Balance as at 31 December 2010 (KHR'000 equivalents)	71,000,000	(51,939)	70,948,061
	287,763,000	(210,509)	287,552,491

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

	Note	2010		2009
		US\$	KHR'000	US\$
<b>Cash flows from operating activities</b>				
Net cash generated from operating activities	21	35,140,399	142,424,037	87,982,569
<b>Cash flows from investing activities</b>				
Premises and equipment purchased		(710,181)	(2,878,364)	(1,974,274)
Intangible assets purchased		(74,132)	(300,457)	(139,032)
Proceeds from disposal of premises and equipment		92,859	376,358	76,080
<b>Net cash used in investing activities</b>		<b>(691,454)</b>	<b>(2,802,463)</b>	<b>(2,037,226)</b>
<b>Cash flows from financing activities</b>				
Share capital issued		-	-	6,000,000
<b>Net cash from financing activities</b>		<b>-</b>	<b>-</b>	<b>6,000,000</b>
<b>Net increase in cash and cash equivalents</b>				
		34,448,945	139,621,574	91,945,343
<b>Cash and cash equivalents at beginning of year</b>		<b>173,096,320</b>	<b>701,559,385</b>	<b>81,150,977</b>
<b>Cash and cash equivalents at end of year</b>	22	<b>207,545,265</b>	<b>841,180,959</b>	<b>173,096,320</b>

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

## 1. Reporting entity

ANZ Royal Bank (Cambodia) Ltd. ('the Bank') is domiciled in Cambodia. The Bank is a joint venture between Australia and New Zealand Banking Group Limited ('ANZ'), a public company incorporated in Australia, through its wholly owned subsidiary ANZ Funds Pty Ltd., with a 55% interest in the joint venture, and Royal Group Finance Co., Ltd., with a 45% interest in the joint venture, which is ultimately owned by two private individuals in Cambodia who are Directors of the Bank.

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

The Bank had 577 (2009: 509) employees as at 31 December 2010.

## 2. Basis of preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

The financial statements of the Bank were authorised for issue by the Board of Directors on 31 March 2011.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets,

liabilities, income and expenses. Actual results may differ from these estimates.

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

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

## 3. Significant accounting policies

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

### (a) Foreign currency transactions

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

### (b) Financial instruments

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

### (c) Cash and cash equivalents

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

### (d) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money,

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

goods or services directly to a debtor with no intention of trading the receivable.

Loans and advances include direct finance provided to customers, such as bank overdrafts, credit cards, term loans and commercial bills.

All loans and advances to customers are stated in the statement of financial position at the amount of principal, less any amounts written off, and impairment of loans and advances.

Cash receipts on non-accrual loans are, in the absence of a contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where the cash receipt relates to proceeds from the sale of security.

## (e) Impairment of loans and advances

Loans and advances are reviewed for impairment at least at each reporting date.

Impairment provisions are raised for exposures, including off-balance sheet items such as commitments and guarantees that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of loans and advances and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan and advance or the collective portfolio of loans and advances that can be reliably estimated.

The impairment calculation is made individually for assets that are individually significant, and on a collective basis for exposures with similar risk characteristics. Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics.

The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data. The estimated impairment losses are measured as the difference between the carrying amount of loans and advances and the estimated future cash flows discounted to their present value.

In compliance with NBC Guidelines, all loans and advances

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

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

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

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

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

## (f) Leases

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

## (g) Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less amortisation and impairment losses. Software costs are amortised over the expected useful lives of 3 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

## (h) Premises and equipment

### (i) Recognition and measurement

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

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

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

### (ii) Subsequent costs

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

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the individual assets as follows:

Computers	5 - 8 years
Furniture and equipment	10 years
Motor vehicles	5 years
Leasehold improvements	10 years

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use. Fully depreciated items of premises and equipment are retained in the financial statements until disposed or written off.

## (i) Impairment of assets

### (i) Financial assets

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

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

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

All impairment losses are recognised in profit or loss.

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

### (ii) Non-financial assets

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

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

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

## (j) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

## (k) Deposits from customers and banks

Deposits from customers and banks are stated at placement value.

## (l) Income recognition

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

Fee and commission income is brought to account on an accruals basis.

Loan approval fees for loans likely to be drawn down are deferred (together with related direct costs) and recognised as income over the period of the loans.

Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires.

Fees and commissions that relate to the execution of a significant act (for example, advisory services, placement fees and underwriting fees) are recognised to when the significant act has been completed.

Fees charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognised as income in the period in which the service is provided.

## (m) Interest expense

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

## (n) Income tax

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

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

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

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

## (o) Employee benefits

### (i) Unutilised annual leave

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates.

### (ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees at a rate of 5% per month.

The fund will be fully paid to the employee upon their resignation/termination of employment with the Bank.

## (p) Related parties

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

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

## (q) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations to existing standards have been published, but are not yet effective for the year ended 31 December 2010. These will have no significant effect on the Bank's financial statements.

## 4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official average exchange rate of US\$1 to KHR 4,053 published by the NBC on 31 December 2010. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 5. Cash and bank balances

	2010		2009
	US\$	KHR'000	US\$
In Cambodia:			
Cash on hand	25,976,607	105,283,188	30,513,040
Cash at banks			
National Bank of Cambodia	50,494,484	204,654,144	46,257,532
Other banks	2,315,750	9,385,735	435,430
	<u>78,786,841</u>	<u>319,323,067</u>	<u>77,206,002</u>
Outside Cambodia:			
Cash at banks			
Related parties	283,345	1,148,397	1,977,030
Others	49,475,079	200,522,495	26,913,288
	<u>49,758,424</u>	<u>201,670,892</u>	<u>28,890,318</u>
	<u>128,545,265</u>	<u>520,993,959</u>	<u>106,096,320</u>

The above amounts are analysed as follows:

	2010		2009
	US\$	KHR'000	US\$
(a) By currency:			
US Dollars	101,066,909	409,624,182	97,370,780
Khmer Riel	7,530,094	30,519,471	4,637,645
Other	19,948,262	80,850,306	4,087,895
	<u>128,545,265</u>	<u>520,993,959</u>	<u>106,096,320</u>

(b) By interest rates (per annum):

	2010	2009
Related parties	0% - 3.25%	0% - 1.00%
Other	0% - 3.25%	0% - 1.00%

## 6. Deposits and placements with banks

	2010		2009
	US\$	KHR'000	US\$
In Cambodia:			
National Bank of Cambodia	79,000,000	320,187,000	50,000,000
Cambodian Public Bank	-	-	20,000,000
	<u>79,000,000</u>	<u>320,187,000</u>	<u>70,000,000</u>
Outside Cambodia:			
ANZ Singapore	20,000,000	81,060,000	-
	<u>99,000,000</u>	<u>401,247,000</u>	<u>70,000,000</u>

The above amounts are analysed as follows:

	2010		2009
	US\$	KHR'000	US\$
(a) By maturity:			
Within 1 month	30,000,000	121,590,000	47,000,000
2 to 3 months	49,000,000	198,597,000	20,000,000
4 to 6 months	-	-	3,000,000
6 to 12 months	20,000,000	81,060,000	-
	<u>99,000,000</u>	<u>401,247,000</u>	<u>70,000,000</u>
(b) By currency:			
US Dollars	<u>99,000,000</u>	<u>401,247,000</u>	<u>70,000,000</u>

(c) By interest rates (per annum):

	2010	2009
National Bank of Cambodia	0.11% - 0.27%	0.10% - 0.60%
Cambodian Public Bank	0% - 2.75%	3% - 3.32%
ANZ Singapore	0% - 0.72%	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 7. Net loans and advances

	2010		2009
	US\$	KHR'000	US\$
Term loans	177,576,062	719,715,780	200,989,728
Overdrafts	28,777,272	116,634,283	25,444,043
Housing loans	32,506,799	131,750,056	28,678,047
Trade finance loans	53,989,206	218,818,253	12,608,331
Leasing	403,480	1,635,304	1,563,218
Credit cards	1,331,683	5,397,311	1,140,299
	<u>294,584,502</u>	<u>1,193,950,987</u>	<u>270,423,666</u>
Allowance for bad and doubtful loans and advances	(12,363,481)	(50,109,188)	(13,553,046)
Interest in-suspense	(3,304,257)	(13,392,154)	(1,683,212)
Unearned income	(1,094,056)	(4,434,209)	(1,547,606)
	<u>277,822,708</u>	<u>1,126,015,436</u>	<u>253,639,802</u>

The above amounts are analysed as follows:

	2010		2009
	US\$	KHR'000	US\$
(a) By maturity:			
Within 1 month	40,010,581	162,162,885	33,979,718
2 to 3 months	31,254,419	126,674,160	8,747,322
4 to 6 months	18,330,257	74,292,532	4,868,340
7 to 12 months	5,102,168	20,679,087	4,751,609
1 to 3 years	121,631,971	492,974,378	102,207,415
4 to 5 years	51,747,946	209,734,425	90,636,883
More than 5 years	26,507,160	107,433,520	25,232,379
	<u>294,584,502</u>	<u>1,193,950,987</u>	<u>270,423,666</u>

## 7. Net loans and advances (continued)

	2010		2009
	US\$	KHR'000	US\$
(b) By performance:			
Standard loans			
Secured	273,738,099	1,109,460,515	253,418,436
Unsecured	648,305	2,627,580	518,801
Special mention loans			
Secured	5,895,700	23,895,272	2,371,747
Unsecured	23,910	96,907	-
Sub-standard loans			
Secured	1,897,464	7,690,422	2,451,295
Unsecured	-	-	4,412
Doubtful loans			
Secured	2,506,540	10,159,007	2,415,192
Loss loans			
Secured	9,874,484	40,021,284	9,243,783
	<u>294,584,502</u>	<u>1,193,950,987</u>	<u>270,423,666</u>
(c) By economic sectors:			
Commercial			
Overdrafts	28,777,272	116,634,283	25,444,043
Loans	176,902,687	716,986,591	200,459,467
Trade finance loans	53,989,206	218,818,253	12,608,331
Leasing	403,480	1,635,304	1,563,218
Consumer			
Loans	33,180,174	134,479,245	29,208,308
Credit cards	1,331,683	5,397,311	1,140,299
	<u>294,584,502</u>	<u>1,193,950,987</u>	<u>270,423,666</u>
(d) By industry:			
Services	78,995,985	320,170,727	76,383,243
Wholesale and retail	121,817,485	493,726,267	89,336,124
Consumer items	18,230,566	73,888,484	23,626,740
Real estate	21,308,036	86,361,470	37,481,492
Construction	7,244,413	29,361,606	6,154,275
Food industries	17,950	72,751	85,139
Manufacturing	35,526,337	143,988,244	27,798,426
Staff loans	6,713,378	27,209,321	4,807,484
Other	4,730,352	19,172,117	4,750,743
	<u>294,584,502</u>	<u>1,193,950,987</u>	<u>270,423,666</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 7. Net loans and advances (continued)

	2010		2009
	US\$	KHR'000	US\$
(e) By currency:			
US Dollars	294,584,502	1,193,950,987	270,423,666
(f) By residency status:			
Residents	294,584,502	1,193,950,987	270,423,666
(g) By relationship:			
Third parties	286,800,661	1,162,403,079	264,183,039
Staff loans	6,713,378	27,209,321	4,807,484
Related parties	1,070,463	4,338,587	1,433,143
	294,584,502	1,193,950,987	270,423,666
(h) By exposure:			
Large exposures	82,362,445	333,814,990	61,974,995
Non-large exposures	212,222,057	860,135,997	208,448,671
	294,584,502	1,193,950,987	270,423,666

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

(i) By interest rates (per annum):

	2010	2009
Overdrafts	8.00% - 15.00%	9.00% - 15.00%
Commercial loans	Base Rate + Margin	Base Rate + Margin
Consumer loans	10.00% - 12.00%	11.00% - 12.50%

## 7. Net loans and advances (continued)

The movement in the allowance for bad and doubtful loans and advances is as follows:

	2010		2009
	US\$	KHR'000	US\$
At beginning of year	13,553,046	54,930,495	2,511,686
Provision for doubtful debt	695,695	2,819,652	11,042,182
Written off	-	-	(822)
Unwind interest	(1,885,260)	(7,640,959)	-
At end of year	12,363,481	50,109,188	13,553,046

All loans and advances have been reviewed at the year-end in accordance with the NBC guidelines, and in the opinion of the Directors and management, net balances are considered recoverable.

## 8. Regulatory deposits

	2010		2009
	US\$	KHR'000	US\$
Regulatory deposits on:			
Minimum share capital	7,100,000	28,776,300	7,100,000
Customers' deposits	64,738,930	262,386,883	53,331,766
	71,838,930	291,163,183	60,431,766

(a) Regulatory deposit on minimum capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on bank's capital guarantee dated 15 October 2001. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at a six month fixed rate ranging from 0.11% to 0.18% per annum (2009: 0.28% to 0.68% per annum).

(b) Regulatory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-09-020 dated 26 January 2009 at the rates of 8% of customers' deposits in KHR and 12% in currency other than KHR. 4% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 SIBOR (one month) while the remaining 8% and the statutory deposit on customers' deposits in KHR do not earn interest.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 9. Income tax

### (a) Deferred tax assets/(liabilities), net

Deferred tax assets/(liabilities) comprise:

	2010		2009
	US\$	KHR'000	US\$
Tax losses	-	-	1,549,908
Provisions	160,643	651,086	40,548
Depreciation	(518,170)	(2,100,143)	(653,882)
Other	1,341	5,435	-
	<u>(356,186)</u>	<u>(1,443,622)</u>	<u>936,574</u>

The movement of net deferred tax assets and liabilities during the year is as follows:

	2010		2009
	US\$	KHR'000	US\$
Balance at beginning of year	936,574	3,795,935	536,622
(Charge to)/credit from profit or loss	(1,292,760)	(5,239,557)	399,952
Balance at end of year	<u>(356,186)</u>	<u>(1,443,622)</u>	<u>936,574</u>

### (b) Income tax liability

	2010		2009
	US\$	KHR'000	US\$
Balance at beginning of year	33,357	135,197	31,895
Current tax expenses	707,205	2,866,301	374,744
Income tax paid	(373,913)	(1,515,469)	(373,282)
Balance at end of year	<u>366,649</u>	<u>1,486,029</u>	<u>33,357</u>

### (c) Income tax expense

	2010		2009
	US\$	KHR'000	US\$
Current tax expense	707,205	2,866,301	374,744
Deferred tax	<u>1,292,760</u>	<u>5,239,557</u>	<u>(399,952)</u>
	<u>1,999,965</u>	<u>8,105,858</u>	<u>(25,208)</u>

## 9. Income tax (continued)

### (c) Income tax expense (continued)

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

The reconciliation of income taxes computed at the statutory tax rate to the current income tax expense in respect to the current period is as follows:

	2010		2009
	US\$	KHR'000	US\$
Profit/(loss) before income tax	<u>10,058,648</u>	<u>40,767,700</u>	<u>(4,630,552)</u>
Income tax using statutory rate	2,011,730	8,153,542	(926,110)
Effect of non-deductible expense	245,383	994,537	266,224
Effect of minimum tax	-	-	1,034,630
Utilisation of tax losses carried forward	<u>(1,549,908)</u>	<u>(6,281,778)</u>	<u>-</u>
	<u>707,205</u>	<u>2,866,301</u>	<u>374,744</u>

## 10. Other assets

	2010		2009
	US\$	KHR'000	US\$
Interest receivable			
- Related parties	6,012	24,367	2,494
- Other	12,459	50,496	43,338
Deposits and prepayments	931,451	3,775,171	867,430
Due from related parties	224,877	911,426	1,087,717
Other	<u>7,741,489</u>	<u>31,376,255</u>	<u>463,672</u>
	<u>8,916,288</u>	<u>36,137,715</u>	<u>2,464,651</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 11. Intangible Assets

	2010		2009
	US\$	KHR'000	US\$
<b>Computer and banking software</b>			
<b>Cost</b>			
At 1 January	613,946	2,488,323	474,914
Additions	74,132	300,457	139,032
At 31 December	688,078	2,788,780	613,946
<b>Less: Accumulated amortisation</b>			
At 1 January	425,527	1,724,661	324,374
Amortisation	125,478	508,562	101,153
At 31 December	551,005	2,233,223	425,527
<b>Carrying value</b>			
At 31 December	137,073	555,557	188,419

## 12. Premises and equipment

	Computers	Furniture and equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2010	9,978,029	3,389,221	997,168	9,145,167	1,319,604	24,829,189	100,632,704
Additions	-	-	-	-	710,181	710,181	2,878,364
Transfers/reclassifications	452,184	182,323	142,000	811,359	(1,587,866)	-	-
Disposals	-	(27,996)	(93,785)	(40,194)	-	(161,975)	(656,485)
Written off	-	(75,141)	-	(60,534)	-	(135,675)	(549,891)
At 31 December 2010	10,430,213	3,468,407	1,045,383	9,855,798	441,919	25,241,720	102,304,692
<b>Less: Accumulated depreciation</b>							
At 1 January 2010	5,320,770	1,064,866	477,230	2,327,606	-	9,190,472	37,248,983
Depreciation	1,827,708	356,839	199,693	1,005,004	-	3,389,244	13,736,606
Disposals	-	(7,932)	(90,750)	(11,399)	-	(110,081)	(446,158)
Written off	-	(18,983)	-	(14,894)	-	(33,877)	(137,303)
At 31 December 2010	7,148,478	1,394,790	586,173	3,306,317	-	12,435,758	50,402,128
<b>Carrying value</b>							
At 31 December 2010	3,281,735	2,073,617	459,210	6,549,481	441,919	12,805,962	51,902,564
At 31 December 2009	4,657,259	2,324,355	519,938	6,817,561	1,319,604	15,638,717	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 13. Deposits from customers

	2010		2009
	US\$	KHR'000	US\$
Current accounts	194,402,501	787,913,337	171,654,141
Savings deposits	195,747,048	793,362,785	117,908,603
Fixed deposits	117,447,533	476,014,851	143,006,068
	<u>507,597,082</u>	<u>2,057,290,973</u>	<u>432,568,812</u>

The above amounts are analysed as follows:

	2010		2009
	US\$	KHR'000	US\$
(a) By maturity:			
Within 1 month	437,048,089	1,771,355,905	352,739,991
2 to 3 months	30,890,487	125,199,144	43,808,903
4 to 6 months	20,956,625	84,937,201	21,435,004
7 to 12 months	18,701,881	75,798,723	14,584,914
	<u>507,597,082</u>	<u>2,057,290,973</u>	<u>432,568,812</u>
(b) By type of customer:			
Domestic corporations	214,094,430	867,724,725	205,975,325
Foreign corporations	15,407,429	62,446,310	18,307,155
Individuals	277,195,641	1,123,473,933	177,112,542
Others	899,582	3,646,005	31,173,790
	<u>507,597,082</u>	<u>2,057,290,973</u>	<u>432,568,812</u>
(c) By relationship:			
Third parties	502,022,015	2,034,695,227	414,414,684
Related parties	5,575,067	22,595,746	18,154,128
	<u>507,597,082</u>	<u>2,057,290,973</u>	<u>432,568,812</u>
(d) By currency:			
US Dollars	496,072,814	2,010,583,115	424,305,874
Khmer Riel	7,917,478	32,089,538	4,921,267
Other currencies	3,606,790	14,618,320	3,341,671
	<u>507,597,082</u>	<u>2,057,290,973</u>	<u>432,568,812</u>

(e) By interest rates (per annum):

	2010	2009
Savings deposits	0.15%-0.50%	0.15% - 2.50%
Fixed deposits	0.80%-5.50%	3.35% - 5.00%

## 14. Borrowings

This represents the borrowing in United States Dollars from ANZ Singapore, a related party. Amounts are unsecured, bear interest at a rate ranging from 2.60% to 3.55% per annum, at mature on 14 March 2011.

## 15. Payables and other liabilities

	2010		2009
	US\$	KHR'000	US\$
Employee entitlements	231,702	939,088	1,344,306
Accruals	1,945,131	7,883,616	1,317,852
Interest payable	646,972	2,622,177	1,274,897
Banker's cheques	709,658	2,876,244	219,040
Due to related parties	1,552,348	6,291,666	710,131
Other tax payable	252,295	1,022,552	209,366
Others	8,025,410	32,526,987	580,316
	<u>13,363,516</u>	<u>54,162,330</u>	<u>5,655,908</u>

## 16. Share capital

	2010		2009
	US\$	KHR'000	US\$
Shares of US\$100 each:			
Issued and fully paid 710,000 shares	71,000,000	287,763,000	71,000,000

## 17. Interest income

	2010		2009
	US\$	KHR'000	US\$
Loans and advances	27,904,771	113,098,037	27,636,703
Placement with banks	11,309	45,835	69,552
National Bank of Cambodia	406,402	1,647,148	118,940
	<u>28,322,482</u>	<u>114,791,020</u>	<u>27,825,195</u>

## 18. Interest expense

	2010		2009
	US\$	KHR'000	US\$
Deposits from customers	5,936,469	24,060,509	9,025,770
Other financial institutions	270,738	1,097,301	204,140
	<u>6,207,207</u>	<u>25,157,810</u>	<u>9,229,910</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 19. Net fee and commission income

	2010		2009
	US\$	KHR'000	US\$
Fee and commission income:			
Trade and payment income	4,920,952	19,944,618	3,936,486
Lending fees	2,213,500	8,971,316	2,478,453
Other fees	3,912,563	15,857,618	3,133,793
	11,047,015	44,773,552	9,548,732
Fee and commission expense	(1,795,124)	(7,275,638)	(1,192,453)
Net fee and commission income	9,251,891	37,497,914	8,356,279
Foreign exchange earnings	1,606,603	6,511,562	1,120,352
	<u>10,858,494</u>	<u>44,009,476</u>	<u>9,476,631</u>

## 20. Operating expenses

	2010		2009
	US\$	KHR'000	US\$
(a) Personnel			
Salaries and wages	7,310,760	29,630,510	7,216,246
Performance reward scheme	1,056,105	4,280,394	904,234
Pension fund	253,998	1,029,454	218,656
Others	1,164,287	4,718,855	1,172,543
	9,785,150	39,659,213	9,511,679
(b) Premises			
Rental	947,770	3,841,312	1,009,341
Utilities and other outgoings	1,277,234	5,176,629	1,239,812
Depreciation of leasehold improvements	1,005,004	4,073,281	887,849
Others	452,260	1,833,010	903,431
	<u>3,682,268</u>	<u>14,924,232</u>	<u>4,040,433</u>

## 20. Operating expenses (continued)

	2010		2009
	US\$	KHR'000	US\$
(c) Computers			
Data communication	791,027	3,206,032	840,514
Depreciation and amortisation	1,953,186	7,916,263	1,895,833
Computer related expenses	1,096,392	4,443,677	618,912
	<u>3,840,605</u>	<u>15,565,972</u>	<u>3,355,259</u>
(d) Other operating expenses			
Advertising	766,082	3,104,930	924,495
Depreciation of motor vehicles, furniture and equipment	556,532	2,255,624	533,183
Travel	543,809	2,204,058	499,861
Postage and stationery	151,541	614,196	193,163
Professional fees	143,470	581,484	341,119
Telephone	315,109	1,277,137	286,779
Freight and cartage	24,700	100,109	30,789
Non-lending losses, frauds and forgeries	7,217	29,251	28,825
Inter-group expenses	1,295,167	5,249,312	944,843
Others	1,107,776	4,489,816	969,858
	<u>4,911,403</u>	<u>19,905,917</u>	<u>4,752,915</u>
	<u>22,219,426</u>	<u>90,055,334</u>	<u>21,660,286</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 21. Cash flows from operating activities

	2010		2009
	US\$	KHR'000	US\$
Profit/(loss) before income tax	10,058,648	40,767,700	(4,630,552)
Adjustments for:			
Depreciation	3,389,244	13,736,606	3,215,712
Amortisation	125,478	508,562	101,153
Gain on disposal of equipment	(40,965)	(166,031)	(2,762)
Equipment written off	101,798	412,588	552,300
Provision for doubtful debt	695,695	2,819,652	11,042,182
	14,329,898	58,079,077	10,278,033
Changes in:			
Deposits and placements with banks	(17,000,000)	(68,901,000)	(3,000,000)
Loans and advances	(24,878,601)	(100,832,970)	(17,987,091)
Regulatory deposits	(11,407,164)	(46,233,236)	6,335,794
Other assets	(6,451,637)	(26,148,485)	(127,219)
Deposits from other banks	(1,814,062)	(7,352,393)	8,234,527
Deposits from customers	75,028,270	304,089,578	83,035,511
Payables and other liabilities	7,707,608	31,238,935	1,586,296
Net cash generated from operations	35,514,312	143,939,506	88,355,851
Income tax paid	(373,913)	(1,515,469)	(373,282)
Net cash generated from operating activities	35,140,399	142,424,037	87,982,569

## 22. Cash and cash equivalents

	2010		2009
	US\$	KHR'000	US\$
Cash and bank balances	128,545,265	520,993,959	106,096,320
Deposits and placements with			
banks (with original maturities of			
3 months or less)	79,000,000	320,187,000	67,000,000
	207,545,265	841,180,959	173,096,320

## 23. Commitments and contingencies

### (a) Operations

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

	2010		2009
	US\$	KHR'000	US\$
Bank guarantees	19,144,875	77,594,178	13,383,476
Letters of credit	32,233,805	130,643,612	22,965,910
Unused portion of loans and advances	35,919,165	145,580,376	42,409,065
Foreign exchange commitments	22,932,678	92,946,144	8,005,029
	110,230,523	446,764,310	86,763,480

### (b) Lease commitments

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

	2010		2009
	US\$	KHR'000	US\$
Within 1 year	201,415	816,335	1,047,617
1 to 3 years	1,013,606	4,108,145	1,264,860
4 to 5 years	1,616,675	6,552,384	334,019
More than 5 years	857,548	3,475,642	539,444
	3,689,244	14,952,506	3,185,940

### (c) Taxation contingencies

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

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

## 24. Related party balances and transactions

### (a) Identity of related parties

The Bank has a related party relationship with its direct and ultimate shareholders (Note 1), with entities owned and controlled by direct and ultimate shareholders, with its other Directors and with senior officers.

### (b) Other related party transactions

During the period, there were the following significant transactions with related parties:

	2010		2009
	US\$	KHR'000	US\$
Interest income	93,979	380,897	28,051
Interest expense	678,264	2,749,004	204,140
Rental expense	10,500	42,557	133,333
Purchase/transfer technology from ANZ Banking Group Limited	1,460,385	5,918,940	944,843

## 25. Financial risk management

### Introduction and overview

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

- operational risk
- credit risk
- market risks
- liquidity risk

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

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability, Credit and Risk (ALCO) committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit and Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

## 25. Financial risk management (continued)

### (a) Operational risk

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

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

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

### (b) Credit risk

Credit risk is risk of the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances.

#### (i). Management of credit risk

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

#### (ii). Exposure to credit risk

	2010		2009
	US\$	KHR'000	US\$
Loans and advances			
Individually impaired	14,278,488	57,870,713	14,114,682
Past due but not impaired	5,919,610	23,992,179	2,371,747
Neither past due nor impaired	274,386,404	1,112,088,095	253,937,237
	294,584,502	1,193,950,987	270,423,666
Allowance for doubtful loans and advances	(12,363,481)	(50,109,188)	(13,553,046)
	282,221,021	1,143,841,799	256,870,620

## 25. Financial risk management (continued)

### (b) Credit risk (continued)

#### *Impaired loans and advances*

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

#### *Past due but not impaired loans and advances*

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

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

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

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

#### *Write-off policy*

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

#### *Collateral*

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

An estimate of the value of collateral held against loans and advances is shown below:

	2010		2009
	US\$	KHR'000	US\$
Against individually impaired:			
Land	28,342,726	114,873,068	46,257,572
Buildings	1,852,819	7,509,475	7,322,261
Past due but not impaired:			
Land	19,066,696	77,277,319	5,579,650
Buildings	506,864	2,054,320	1,787,192
	<u>49,769,105</u>	<u>201,714,182</u>	<u>60,946,675</u>

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

#### *Concentration of credit risk*

The analysis of concentrations of credit risk from loans and advances at the reporting are shown in Note 7 to the financial statements.

### (c) Market risk

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

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

#### (i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As of 31 December 2010, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

#### (ii) Interest rate risk

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

An analysis of the interest rate risk pertaining to the Bank's assets and liabilities is disclosed below.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 25. Financial risk management (continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

The table indicates the effective interest rates at the statement of financial position date and the periods in which the financial instruments mature.

2010	Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
<b>Assets</b>									
Cash and bank balances	49,758	-	-	-	-	-	78,787	128,545	-
Deposits and placements with banks	30,000	49,000	-	20,000	-	-	-	99,000	-
Loans and advances	40,011	31,254	18,330	5,102	173,380	26,507	-	294,584	9.90%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(12,363)	(12,363)	-
- Interest in-suspense	-	-	-	-	-	-	(3,304)	(3,304)	-
- Unearned income	-	-	-	-	-	-	(1,094)	(1,094)	-
Regulatory deposits	-	-	-	-	-	28,433	43,406	71,839	0.27%
Other assets	-	-	-	-	-	-	8,916	8,916	-
	<u>119,769</u>	<u>80,254</u>	<u>18,330</u>	<u>25,102</u>	<u>173,380</u>	<u>54,940</u>	<u>114,348</u>	<u>586,123</u>	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	122	122	-
Deposits from customers	242,645	30,890	20,957	18,702	-	-	194,403	507,597	5.50%
Borrowings	-	6,313	-	-	-	-	-	6,313	3.37%
Income tax liability	-	-	-	-	-	-	367	367	-
Payables and other liabilities	-	-	-	-	-	-	13,364	13,364	-
	<u>242,645</u>	<u>37,203</u>	<u>20,957</u>	<u>18,702</u>	<u>-</u>	<u>-</u>	<u>208,256</u>	<u>527,763</u>	
	<u>(122,876)</u>	<u>43,051</u>	<u>(2,627)</u>	<u>6,400</u>	<u>173,380</u>	<u>54,940</u>	<u>(93,908)</u>	<u>58,360</u>	

## 25. Financial risk management (continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

The table indicates the effective interest rates at the statement of financial position date and the periods in which the financial instruments mature.

2009	Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
<b>Assets</b>									
Cash and bank balances	28,890	-	-	-	-	-	77,206	106,096	-
Deposits and placements with banks	47,000	20,000	3,000	-	-	-	-	70,000	0.23%
Loans and advances	30,895	24,281	9,691	8,528	127,518	69,510	-	270,423	10.66%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(13,553)	(13,553)	-
- Interest in-suspense	-	-	-	-	-	-	(1,683)	(1,683)	-
- Unearned income	-	-	-	-	-	-	(1,547)	(1,547)	-
Regulatory deposits	-	-	-	-	-	25,233	35,199	60,432	0.06%
Other assets	-	-	-	-	-	2,465	-	2,465	-
	<u>106,785</u>	<u>44,281</u>	<u>12,691</u>	<u>8,528</u>	<u>127,518</u>	<u>97,208</u>	<u>95,622</u>	<u>492,633</u>	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	149	149	-
Deposits from customers	181,086	43,809	21,435	14,585	-	-	171,654	432,569	2.16%
Borrowings	-	-	-	8,100	-	-	-	8,100	3.28%
Income tax liability	-	-	-	-	-	-	33	33	-
Payables and other liabilities	-	-	-	1,275	-	-	4,381	5,656	-
	<u>181,086</u>	<u>43,809</u>	<u>21,435</u>	<u>23,960</u>	<u>-</u>	<u>-</u>	<u>176,217</u>	<u>446,507</u>	
	<u>(74,301)</u>	<u>472</u>	<u>(8,744)</u>	<u>(15,432)</u>	<u>127,518</u>	<u>97,208</u>	<u>(80,595)</u>	<u>46,126</u>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010 (continued)

## 25. Financial risk management policies (continued)

### (c) Market risk (continued)

#### Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the period/year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable-rate instruments

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

### (d) Liquidity risk

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

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

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

2010	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities</b>							
Deposits from other banks	-	-	-	-	-	122	122
Deposits from customers	437,048	30,890	39,659	-	-	-	507,597
Borrowings	-	-	6,313	-	-	-	6,313
Income tax liability	-	-	-	-	-	367	367
Payables and other liabilities	-	-	-	-	-	13,364	13,364
	<u>437,048</u>	<u>30,890</u>	<u>45,972</u>	<u>-</u>	<u>-</u>	<u>13,853</u>	<u>527,763</u>

## 25. Financial risk management (continued)

### (d) Liquidity risk (continued)

2009	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities</b>							
Deposits from other banks	-	-	-	-	-	149	149
Deposits from customers	352,740	43,809	36,020	-	-	-	432,569
Borrowings	-	-	8,100	-	-	-	8,100
Income tax liability	-	-	-	-	-	33	33
Payables and other liabilities	-	-	1,275	-	-	4,381	5,656
	<u>352,740</u>	<u>43,809</u>	<u>45,395</u>	<u>-</u>	<u>-</u>	<u>4,563</u>	<u>446,507</u>

### (e) Capital management

#### (i) Regulatory capital

The Bank's lead regulator, the National Bank of Cambodia ('NBC'), sets and monitors capital requirements for the Bank as a whole.

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

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

#### (ii) Capital allocation

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

## 26. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the statement of financial position are approximately equal to their carrying values as at 31 December 2010.

# SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2010

The following calculations of other ratios are based on the audited financial statements of the Bank and are presented as required by NBC in their Prakas No. B7-04-204 dated 29 December 2004.

No.	Other Ratios	Formula by NBC		31 December 2010 (Pro forma)			2010			2009
				Calculation (in figure)		Ratio	Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	US\$	US\$	%	%
<b>CAPITAL</b>										
1	Equity to total assets	Equity	Total assets	73,691,925	601,810,090	12.25%	70,948,061	599,066,226	11.84%	12.35%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	70,948,061	601,810,090	11.79%	70,948,061	599,066,226	11.84%	12.35%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	70,948,061	305,209,317	23.25%	70,948,061	302,465,653	23.46%	21.76%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	73,691,925	305,209,317	24.14%	70,948,061	302,465,653	23.46%	21.76%
5	Net worth to total assets	Net worth	Total assets	72,484,389	601,810,090	12.04%	69,740,525	599,066,226	11.64%	12.03%
6	Solvency ratio	Net worth	Risk weighted assets	72,484,389	305,209,317	23.75%	69,740,525	302,465,653	23.06%	21.20%
7	Debts to total assets	Total liabilities	Total assets	528,118,165	601,810,090	87.75%	528,118,165	599,066,226	88.16%	87.65%
8	Debt to equity	Total liabilities	Equity	528,118,165	73,691,925	716.66%	528,118,165	70,948,061	744.37%	709.99%
9	Dividend to net profit	Dividend	Net profit	-	8,058,683	-	-	8,058,683	-	-
<b>ASSET QUALITY</b>										
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	2,743,864	294,584,502	0.93%	-	294,584,502	-	-
11	Banking reserve to total assets	Banking reserves	Total assets	2,743,864	601,810,090	0.46%	-	599,066,226	-	-
12	NPL to total loans	NPL	Total loans (gross)	14,278,488	294,584,502	4.85%	14,278,488	294,584,502	4.85%	5.22%
13	NPL to total assets	NPL	Total assets	14,278,488	601,810,090	2.37%	14,278,488	599,066,226	2.38%	2.77%
14	Classified assets to total loans	Classified assets	Total loans (gross)	14,278,488	294,584,502	4.85%	14,278,488	294,584,502	4.85%	5.22%
15	Classified assets to total assets	Classified assets	Total assets	14,278,488	601,810,090	2.37%	14,278,488	599,066,226	2.38%	2.77%
16	Classified assets to equity	Classified assets	Equity	14,278,488	73,691,925	19.38%	14,278,488	70,948,061	20.13%	22.44%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	1,070,463	294,584,502	0.36%	1,070,463	294,584,502	0.36%	0.53%
18	Large exposure to total loans	Large exposure	Total loans (gross)	114,461,457	294,584,502	38.86%	114,461,457	294,584,502	38.86%	22.92%
19	Loan to related parties to net worth	Loan to related parties	Net worth	1,070,463	72,484,389	1.48%	1,070,463	69,740,525	1.53%	2.34%
20	Large exposure to net worth	Large exposure	Net worth	114,461,457	72,484,389	157.91%	114,461,457	69,740,525	164.12%	101.15%
21	General provision to total loans	General provision	Total loans (gross)	2,743,864	294,584,502	0.93%	2,743,864	294,584,502	0.93%	0.94%
22	Specific provision to total loans	Specific provision	Total loans (gross)	9,619,617	294,584,502	3.27%	9,619,617	294,584,502	3.27%	4.07%
23	Specific provision to NPL	Specific provision	NPL	9,619,617	14,278,488	67.37%	9,619,617	14,278,488	67.37%	78.03%

No.	Other Ratios	Formula by NBC		31 December 2010 (Pro forma)			2010			2009
				Calculation (in figure)		Ratio	Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	US\$	US\$	%	%
<b>ASSET QUALITY (continued)</b>										
24	All allowances to total assets	Total all allowances	Total assets	12,363,481	601,810,090	2.05%	12,363,481	599,066,226	2.06%	2.66%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	294,584,502	507,719,314	58.02%	294,584,502	507,719,314	58.02%	62.49%
<b>EARNINGS</b>										
26	Return on assets	Net profit	Total assets	8,058,683	601,810,090	1.34%	8,058,683	599,066,226	1.35%	-0.90%
27	Return on equity	Net profit	Equity	8,058,683	73,691,925	10.94%	8,058,683	70,948,061	11.36%	-7.32%
28	Gross yield	Interest income	Total assets	28,322,482	601,810,090	4.71%	28,322,482	599,066,226	4.73%	5.46%
29	Net interest margin to total assets	Interest income - interest expense	Total assets	22,115,275	601,810,090	3.67%	22,115,275	599,066,226	3.69%	3.65%
30	Other income to total assets	Other incomes	Total assets	10,858,494	601,810,090	1.80%	10,858,494	599,066,226	1.81%	1.86%
31	Provision to total assets	Provisions	Total assets	12,363,481	601,810,090	2.05%	12,363,481	599,066,226	2.06%	2.66%
32	Overhead to total assets	Non-interest expenses	Total assets	22,219,425	601,810,090	3.69%	22,219,425	599,066,226	3.71%	4.25%
33	Net income before tax to total assets	Net income before tax	Total assets	10,058,648	601,810,090	1.67%	10,058,648	599,066,226	1.68%	-0.91%
34	Taxes to total assets	Taxes	Total assets	(1,999,965)	601,810,090	-0.33%	(1,999,965)	599,066,226	-0.33%	-
35	Interest margin to gross income	Interest income - Interest expense	Gross income	22,115,275	39,180,976	56.44%	22,115,275	39,180,976	56.44%	49.85%
36	Non-interest income to gross income	Non-interest income	Gross income	10,858,494	39,180,976	27.71%	10,858,494	39,180,976	27.71%	25.41%
37	Non-interest expense to gross income	Non-interest expense	Gross income	22,219,425	39,180,976	56.71%	22,219,425	39,180,976	56.71%	58.07%
38	Times interest earned	Profit before tax + interest expense	Interest expense	3,851,441	6,207,207	0.62 times	3,851,441	6,207,207	0.62 times	0.50 times
<b>LIQUIDITY</b>										
39	Liquid asset	Liquid asset	Total assets	227,545,265	601,810,090	37.81%	227,545,265	599,066,226	37.98%	34.57%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	528,118,165	601,810,090	87.75%	528,118,165	599,066,226	88.16%	87.65%
41	Net liquid assets	Liquid assets - short-term liabilities	Total liabilities	(300,572,901)	528,118,165	-56.91%	(300,572,901)	528,118,165	-56.91%	-60.56%
42	Quick ratio	Quick assets *	Current liabilities	225,917,405	528,118,165	42.78%	225,917,405	528,118,165	42.78%	39.12%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	507,719,314	294,584,502	172.35%	507,719,314	294,584,502	172.35%	160.01%

(\*): Quick assets = cash + gold + deposits with NBC (excluding capital guarantee and reserve requirement) + deposits with other banks.

# BRANCH LOCATIONS



## Phnom Penh Branch

**Kramoun Sar Branch (Head Office)**  
20 Kramoun Sar & Street 67

**Independence Monument Branch**  
100 Preah Sihanouk Boulevard

**Olympic Branch**  
361-363 Preah Sihanouk Boulevard

**Riverside Branch**  
265 Sisowath Quay

**Phsar Derm Thkov Branch**  
616A+B, Street 271

**Pet Lok Sang Branch**  
1A+1B, Street 271

**Teuk Thla Branch**  
1E0 & 1E1, Street 110A

**Stung Meanchey Branch**  
23-25A, Street 217

**Chbar Ampoeu Branch**  
35, National Road #1

**Chom Chao Branch**  
1B, 2B & 3B, National Road #4

**Tuol Kork Branch**  
95C, Street 289

## Provincial Branches

**Takhmao Branch**  
Kandal Province  
1E0-E1-E2, near Takhmao Roundabout

**Siem Reap Phsar Kandal Branch**  
566, 568 & 570, Street Tep Vong

**Siem Reap Phsar Leu Branch**  
556, Phsar Leu, National Road #6

**Siem Reap Old Market Agency**  
218, Group 7, Mondul 1

**Sihanoukville Branch**  
215, Vithey Ekreach

**Battambang Branch**  
2, 4 & 6, Street 1

**Poipet Branch**  
Banteay Mean Chey Province  
22, 23 & 24, National Road #5,

**Kampong Cham Branch**  
Preah Monivong & Neary Rath Kosamak Street

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