

ANZ ROYAL:
CAMBODIA'S LEADING INTERNATIONAL BANK

ANZ Royal Annual Report 2012

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BRANCH LOCATIONS (Continued)

Phnom Penh Branches

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

Sihanoukville Branch
215, Vithey Ekreach

Battambang Branch
2, 4 & 6, Street 1

Kampong Cham Branch
Preah Monivong & Neary Rath Kosamak Street

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OUR VALUES



Integrity:

Do what is right

Collaboration:

Connect and work as one for our customers and shareholders

Accountability:

Own your actions, make it happen

Respect:

Value every voice, bring the customer's view to ANZ Royal

Excellence:

Be your best, help people progress, be business-minded

CEO'S REPORT



Performance

The 2012 financial year saw ANZ Royal once again deliver a year-on-year increase in profit, with US\$12.3 million recorded. The relatively small increase over 2011 results (3%) was primarily the result of an increase in credit provisions, alongside increased tax liability. Profit before provisions and taxation, a better measure of underlying business performance, was up by a healthy 19% year-on-year.

This was a strong result considering the steep fall in margins seen across our lines of business. This compression was most visible in the heavily competed Commercial segment, where average lending rates declined by nearly 2% in the past year. This is the direct result of a surge in competition in the Cambodian banking sector, with a number of new entrants bidding aggressively for what is still a relatively small credit system.

Importantly, ANZ Royal grew key focus areas of its business substantially in 2012, for example:

- ◆ Our Trade Finance business grew 28%
- ◆ Our Payments business grew 23%
- ◆ We grew Priority customers in Retail by 63%

We enter 2013 with the strongest business momentum that ANZ Royal has yet seen, and hence there is a strong degree of confidence that we will continue to lead in our target segments and create an enduring success story.

Our staff engagement levels also continue to be strong, rising to a record level of 81% in 2012. This reflects the considerable investment that ANZ Royal puts into staff training and development, as well as a very holistic approach to caring for the overall well-being of our staff.

Competitive Environment

Competition in the Cambodian banking environment moved to another level in 2012. The number of banks continues to swell – now a total of 42 commercial and specialised banks – and incumbents have also shown increased levels of aggression.

This change is to an extent linked to the identification of the Greater Mekong region, including newly-opened Myanmar, as an attractive pocket of growth in a subdued global environment. The upcoming ASEAN Economic Community is another driver. These competitive changes are therefore here to stay, and will only increase.

The competitive pressures are most evident in two areas: the pricing of new lending; and the very hot market for banking talent. The latter of these two issues is particularly apparent for ANZ Royal, as we are regarded as having the best trained staff in the market, so are naturally a target for newcomers to the sector. Despite that, our staff turnover rate was 5% lower than in 2011.

Outlook

The Cambodian economy delivered a solid GDP growth result of c.7.5% in 2012, and this shows no signs of abating. Recent IMF studies are projecting a decade of growth in the 7-8% zone.

This is being driven by a surge of investment into key sectors such as agriculture. Also noticeable is a broadening out of the economic base, with manufacturing investment from Japan in particular contributing to higher value-added activity. ANZ Royal has benefited from this evolution, with strong growth in our multi-national client base seen.

It is also heartening to see real progress being made in the key infrastructure area of energy, with numerous new generation and transmission projects coming into construction phase. This is critical to ensure Cambodia's competitiveness in the area of labour costs is not eroded by high costs in other factors of production.

The positive macro-environment is a clear tail-wind for the banking sector and ANZ Royal.

We have a very clear strategy, focused on identified target segments where we believe we have a source of competitive advantage over the long term. This focus, along with a heightened attention to risk management, and our long-standing investment in our people, will serve ANZ Royal well to cement our position as the leading international bank in Cambodia.

Our results and our momentum are the product of a dedicated team of great people, serving great customers. I would like to thank the staff and customers of ANZ Royal for their contribution to our success in 2012 and beyond.

RETAIL BANKING



04 - 05

At ANZ Royal, our aim is to be the leading Retail bank for the rapidly growing affluent and emerging affluent customer segments. Our Retail Banking proposition is based on the three pillars of convenience, superior customer service, and connectivity. Below are a few highlights of our achievements in 2012:

Convenience

- Customers can open a new account and complete transactions on the same day
- Our 14 Mobile Lending Managers are on call 7 days a week to help customers with their home lending needs
- We have re-branded our Premier lounges to 'Priority' and increased our staffing levels, so that we can spend more time visiting customers at their homes or places of work

Superior Customer Service

- We continue to attract the best and brightest recruits in the banking sector and spend significantly more money on training per full time staff member than any other bank in Cambodia. This investment in staff training means we deliver the best service to our customers

- Each piece of customer feedback received is reviewed by senior management. We aim to solve every complaint in a timely manner and to learn from our customer's feedback to better improve our service
- We have installed two-factor security authentication on our Internet Banking platform to ensure on-line customer financial transactions are secure

Connectivity

- ANZ has developed a Regional Centre of Excellence in Singapore for Wealth and Risk products. Our aim is to assist Cambodian affluent clients with their wealth creation goals by introducing them to our experts in Singapore
- ANZ Royal prides itself on being an interconnected team that is focused on identifying customers' needs and matching them with the right expert

What We Do

Retail Banking is responsible for serving personal and business customers through our network of 17 branches (including four Priority Lounges), 115 ATMs, 500 Point of Sale terminals, internet banking, a twenty-four hour Call Centre and Mobile Lending team.

Our Products and Services include:

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

2012 Achievements

- Priority customer growth by 63%
- Increased Home Loans by 19%
- Received in excess of 1500 compliments from customers
- Improved our mortgage policy to offer Home Investment loans
- Promoted over 30% of Retail staff to more senior positions within the bank
- A very high (82%) staff engagement score for staff working in the Retail team

Our Goals for 2013

To build further on our reputation as a trusted bank that provides an international standard of customer service. We want to be the best bank at providing:

- Excellence in service to our clients
- New products and services for our Affluent and Emerging Affluent Clients
- Convenience and expertise to our Lending clients
- Connectivity within ANZ Royal and throughout Asia and Australasia
- Training for staff to be the best Bankers in Cambodia
- A trusted and international standard bank for customers to feel secure and valued

COMMERCIAL BANKING



Commercial Banking

At ANZ Royal Commercial Banking, we are focused on partnering with enterprises in Cambodia who want to grow with a bank that understands their needs and their vision for future. As a growing business in Cambodia, our team understands that going the extra mile for our customers when faced with challenges and leveraging our extensive experience across Asia Pacific region will make a difference for our customers. We have the experience and capabilities to help customers expand and grow in their respective industries as the country's market and economy are progressively developed.

Our customers' success in achieving their business objectives is paramount to us. That is why we have dedicated Relationship Managers, backed by a supporting team of product specialists, which means we deliver genuine banking partnerships and can really understand customers' industries and recommend a banking solution to help customers reach their short and long-term objectives. Our customer base is diverse from small and medium businesses to emerging corporate.

2012 Key Highlights

Below are key highlights of Commercial Banking during 2012:

- Supported commercial customers to increase their export and to expand the export markets
- Delivered product seminars with the aim to raise customers' understanding of international trade, trade products, and market products
- Promoted the improvement of accounting record and financial reporting among commercial customers
- Deepened the position in all key focused industries
- Developed the team's knowledge and insights in key focused industries

What We Offer

We offer world-class service to our business customers through our dedicated relationship management teams backed by a supporting team of product specialists having technical expertise in Trade and Supply Chain, Payments and Cash Management, and Global Markets. Our dedicated Relationship Managers have local knowledge and commercial banking experience that enable them to have a good understanding of our customers' banking needs from Deposits, Payments and Cash Management, Global Markets and Trade to various borrowing options.

Our Goals for 2013

- Offer new products that will meet the new needs of our customers
- Deepen the relationship with our customers
- Introduce new Internet Banking platform with enhanced capabilities for our customers
- Expand customer base
- Expand our customer relationships with a focus on agri-business and manufacturing sectors
- Expand our position to capture more export businesses
- Dominate the key focused industries
- Continue building industry knowledge and insights among the team
- Engage relevant parties to promote and raise the standard of the accounting records and financial reporting

CORPORATE & INSTITUTIONAL BANKING

We service the largest local and multinational companies operating in Cambodia. Our goal is to have a deep understanding of our customer's business needs and strategic objectives so that we can provide relevant and competitive products, services and advice.

By providing dedicated Relationship Managers and product specialists in Payments and Cash Management, Global Markets and Trade and Supply Chain, we deliver genuine banking partnerships.

2012 Achievements

Some notable highlights for Corporate & Institutional Banking in 2012:

- Established a Japanese Desk
- Broadened our Financial Institutions business proposition
- Established a Chinese desk

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.

In 2012, we streamlined our Transaction Banking proposition and continue to develop this part of our business through product and client customisation to enhance our clients experience in trade and payments management.

Our Goals for 2013

- Introduce our new Internet Banking platform with enhanced capabilities for our corporate clients
- Commodities hedging for select commodities
- 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

RISK MANAGEMENT

As a service-orientated business, a key aspect for the success of ANZ Royal is a robust risk 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 recognise 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 is undertaken by the Risk Management 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 is 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 on 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.

2012 has seen the world economy continue to be affected by the severe debt problems amongst many European countries, the weak recovery of the US economy and the political leadership changes in China. By contrast in Cambodia, growth has been strong and the country continues to attract investment from Japan, China and Korea in particular. However, we continue to adopt strict lending criteria and focus our support for businesses that are transparent and well-managed and are able to adapt to the changing and

challenging global market. We constantly manage our credit exposures, adopting a forward-looking Risk approach to ensure quality is maintained throughout the portfolio.

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 that offers 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 and controls are in place 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. These include the instigation of a 'first line of defence' policy, wherein business risk forums are regularly held in each business / enablement function to recognise and mitigate operational risks and to reinforce the Bank's philosophy that "risk is everyone's responsibility". There is a dedicated operational risk team that oversees the business risk forums and regularly carries out Quality Assurance testing in all units. In addition, operational risk is a focal part of the monthly Risk Management Committee meetings wherein we cover 17 metrics in our Operation Risk dashboard including Business Continuity Planning, Compliance and Operational Mapping, Incident Reporting and Internal and Regulatory Audits.

OUR COMMUNITY



As a responsible corporate citizen, the ANZ Group has a very strong commitment to our social and environmental responsibilities and to the communities in which we live in.

At ANZ Royal, we truly believe in living the values. We believe our values form the underlying foundation that guides our actions and the decisions we make day to day in our business.

In 2012, ANZ Royal celebrated its seventh anniversary of operations in Cambodia. Throughout these seven years, the staff at ANZ Royal have shown tremendous commitment and energy to growing the business, as together we have built the leading international bank in Cambodia.

However, throughout our busy daily activities, it is important that we take some time out from our busy schedules to reflect upon the social needs of the community in which we live in and identify the areas where we believe, together, we as a bank can positively contribute to the betterment of Cambodian society as a whole.

In 2012, ANZ Royal provided over USD80,000 in financial support to local charities. In addition, our staff contributed in excess of 3,000 hours of volunteer community service, in partnership with 23 different organisations providing support to vulnerable Cambodians. This reflects a genuine and honest commitment to supporting the community in which we live.

OUR PEOPLE



At ANZ Royal, we believe that successfully delivering 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.

Our High-Performance Culture means that we endeavour to create a robust and challenging environment that supports high-performing individuals and empowers them to deliver to the best of their capability.

Through the 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 2012

We delivered on the promise of our 4 core value propositions as an employer:

1. Long-term and international opportunity: Exporting talent continues to be our focus to build up the capabilities and leadership for the future. Our employees continue to receive exposure to international banking standards through overseas secondments and training, as well as permanent job placement.

2. Competitive remuneration and benefit package: We provide one of the most comprehensive benefit packages to our employees, to ensure the well-being of our staff and their families. We have recently introduced a baby delivery allowance to assist our female staff going through a critical period of life; and increased the employer pension fund contribution to recognise long service and loyalty with the bank.

3. Performance-based culture that stimulates growth: At ANZ Royal, we believe that you get rewarded based on your contribution. Our High-Performance Culture further reinforces that by recognising individuals for their outstanding achievement and continually supporting them to deliver to the best of their ability. A number of our employees have been recognised and rewarded for their outstanding contribution to the success of ANZ Royal.

4. Heavy investment in people through ongoing development activities: Our commitment and investment in staff development continue unabated to further develop our talent and ready them for future challenges. In 2012, we launched the "HIPO" development program aimed at accelerating the development of high potential employees as we ready them for the next leadership responsibility. The Young Banker Program has taken 7 bright professionals to develop well-rounded banking experiences through rotations across key business units. Over 32 of our staff have been sent for overseas training to learn and get exposure to new ways of thinking, enriching their personal and professional experience and they have returned with a renewed confidence to contribute and lead ANZ Royal into the future.

BOARD OF DIRECTORS

As at 31 December 2012

Alistair Marshall Bulloch

Chairman and Director

Alistair joined ANZ in 2008 as CEO North East Asia and CEO Hong Kong. In 2010, he was appointed as Managing Director/Senior Advisor, Asia Pacific, Europe & America. Alistair is responsible for developing critical government and other relationships, taking a lead role in management across Asia Pacific, Europe and America on behalf of the Group.

Alistair has more than 20 years of banking experience and was previously head of wholesale banking in Korea and head of client relationships in both China and Taiwan for Standard Chartered Bank. He spent his childhood and a considerable part of his earlier career in Hong Kong and has also worked in the Middle East and Ireland.

Neak Oknha Kith Meng

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, 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.

Mark Timothy Robinson

Director

Mark Robinson is the Chief Executive Officer of South and Southeast Asia in ANZ's Asia Pacific, Europe and America Division.

Mark joined ANZ in June 2010 from Citigroup. During more than 25 years with Citigroup, Mark held senior leadership roles in Europe and Asia, including CEO South Asia, CEO Russia and Country Officer and Head of Turkey/Israel. Immediately prior to joining ANZ, Mark was CEO for Citigroup's South Asia regional business, encompassing India, Sri Lanka and Bangladesh.

Mark holds a Bachelor of Arts and a Master of Business Administration from the University of Chicago.

EXECUTIVE MANAGEMENT 2012



Seated from left to right: Rohan George, Lyphanna Kith, Grant Knuckey, Chenda Khak and Nigel Piper.

Standing from left to right: Deline Sieng, John McGinley, Pheakdey Pok, Sochal Dith, David Marshall and David Parrott.

EXECUTIVE MANAGEMENT 2012



Grant Knuckey
Chief Executive Officer

Grant Knuckey joined ANZ Royal as CEO in June 2012. He also serves as Chairman of ANZ Laos and is additionally responsible for ANZ's newly opened representative office in Myanmar.

Grant has been with ANZ Banking Group for more than 18 years, more than 10 years of which has been spent in Asia. His previous role was Head of Institutional Banking and Deputy CEO of ANZ China, based in Shanghai. Earlier roles included running ANZ's Global Markets business across North Asia (5 countries), based in Hong Kong; and as Head of Strategy for ANZ's Institutional business across Asia, based in Singapore. During his career in Asia, Grant has spent time working on the ground in every one of the 14 countries in which ANZ is represented. Prior to his time in Asia, Grant worked for ANZ in the Global Markets business in New Zealand. This unique mix of experiences across the ANZ network provides a true 'super regional' perspective to ANZ Royal's strategic leadership.

Grant holds a Bachelor of Commerce (Economics Major) and a Bachelor of Law, both from Victoria University in Wellington, NZ. He also holds a Master of Business Administration (First Class Honours) from Trinity College Dublin. He is active in the local business community, currently serving as the President of the Australian Business Association of Cambodia, as well as leading the Interbank and Education Committees of the Association of Banks in Cambodia.

Lyphanna Kith
Chief Operating Officer

Phanna joined ANZ Royal in late 2008 as a Branch Manager. Over the past five years, he has worked in various roles within the bank including International Service Manager and Head of Institutional Operations. Phanna was appointed to his current role of Chief Operating Officer in January 2013.

As the Chief Operating Officer, Phanna oversees the bank's operations, which encompasses a diverse range of functions inclusive of: Retail Operations, Institutional & Commercial Operations, Projects & Transformation, Information Technology, Operational Risk Management and Governance, Property and Procurement.

Prior to joining ANZ Royal in Cambodia, Phanna had spent the majority of his life in Australia where he was educated and obtained over 8 years sales and marketing experience with multiple corporations. He attended the University of Canberra with a degree in Communications and Marketing.

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 14 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.

David Parrott
Head of Retail Banking

David (Dave) joined ANZ Royal in May 2011 and is responsible for the overall retail operation covering our network of 17 branches, our Premier banking segment, Credit Cards/POS business, 24/7 Call Centre and leads our retail strategy.

Dave commenced with ANZ in 2004, and in a career spanning 18 years, has covered all general branch retail banking roles including a number of years as Branch Manager before moving into Area Management and Regional Management roles within New Zealand.

Dave holds a Bachelor of Business Studies, majoring in Employment Relations, from the Open University of New Zealand. Having worked in England, New Zealand and now Southeast Asia, Dave brings extensive worldwide banking experience to ANZ Royal.

Sochal Dith
Head of Commercial Banking

Sochal joined ANZ Royal in May 2005 as the Trade Relationship Manager. In early 2008, he was offered the role of Relationship Manager with the ANZ National Bank based in Auckland, New Zealand. After returning from New Zealand in late 2009, he was appointed Head of SME Banking and then Head of Commercial Banking.

As Head of Commercial Banking since July 2011, Sochal works closely with a dedicated team of Relationship Managers, ensuring they help manage and grow commercial client bases.

Prior to joining ANZ Royal, Sochal was with the National Bank of Cambodia as an onsite examiner and with PricewaterhouseCoopers as an auditor.

Sochal holds a Bachelor of Management (Accounting Major) from Chea Sim Kamchaymea University and a Master of Business Administration from the School of Management, Wuhan University of Technology, China.

Pheakdey Pok
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 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).

EXECUTIVE MANAGEMENT 2012 (Continued)



Nigel Piper
Chief Risk Officer

Nigel joined ANZ Royal in November 2011 as Chief Risk Officer. He was previously Chief Risk Officer for ANZ Bank in Hong Kong. Nigel has over 30 years of banking experience, including 20 years working in emerging markets in front line relationship roles as well as debt restructuring and risk roles. Nigel has the experience and outlook to partner well with the business to ensure future growth in a controlled and understood risk environment.

As Chief Risk Officer, Nigel is dedicated to providing a complete enterprise risk management role that covers all aspects of risk affecting ANZ Royal. He leads a team of risk professionals and has key responsibility for chairing the Risk Management Committee that oversees all aspects of Risk in the Bank.

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. Rohan and his team of financial markets specialists provide tailored, financial markets advice and strategy execution for our corporate and commercial customers.

He brings over 27 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 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 the English Language, both from the Royal University of Phnom Penh. In addition, Chenda was awarded a two-year Japanese Government Funded Scholarship where she earned her Master's Degree in International Relations from Sophia University, Japan.

Deline Sieng
Head of Legal & Compliance and
Company Secretary

Deline joined ANZ Royal as Head of Legal & Compliance in June 2010. He also performs as the Company Secretary of the Bank.

Prior to joining ANZ Royal, Deline spent more than three years with Sciaroni & Associates as a Legal Advisor, more than two years with the Economic Institute of Cambodia as Legal Researcher and a further two years with the National Bank of Cambodia managing staff training and regulatory preparation works. Deline also has nine 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 two Bachelors of Law: one from the Royal University of Law and Economics in Cambodia and one from the Université Lumière Lyon 2 in France through a long-distance study program. 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 study in France.

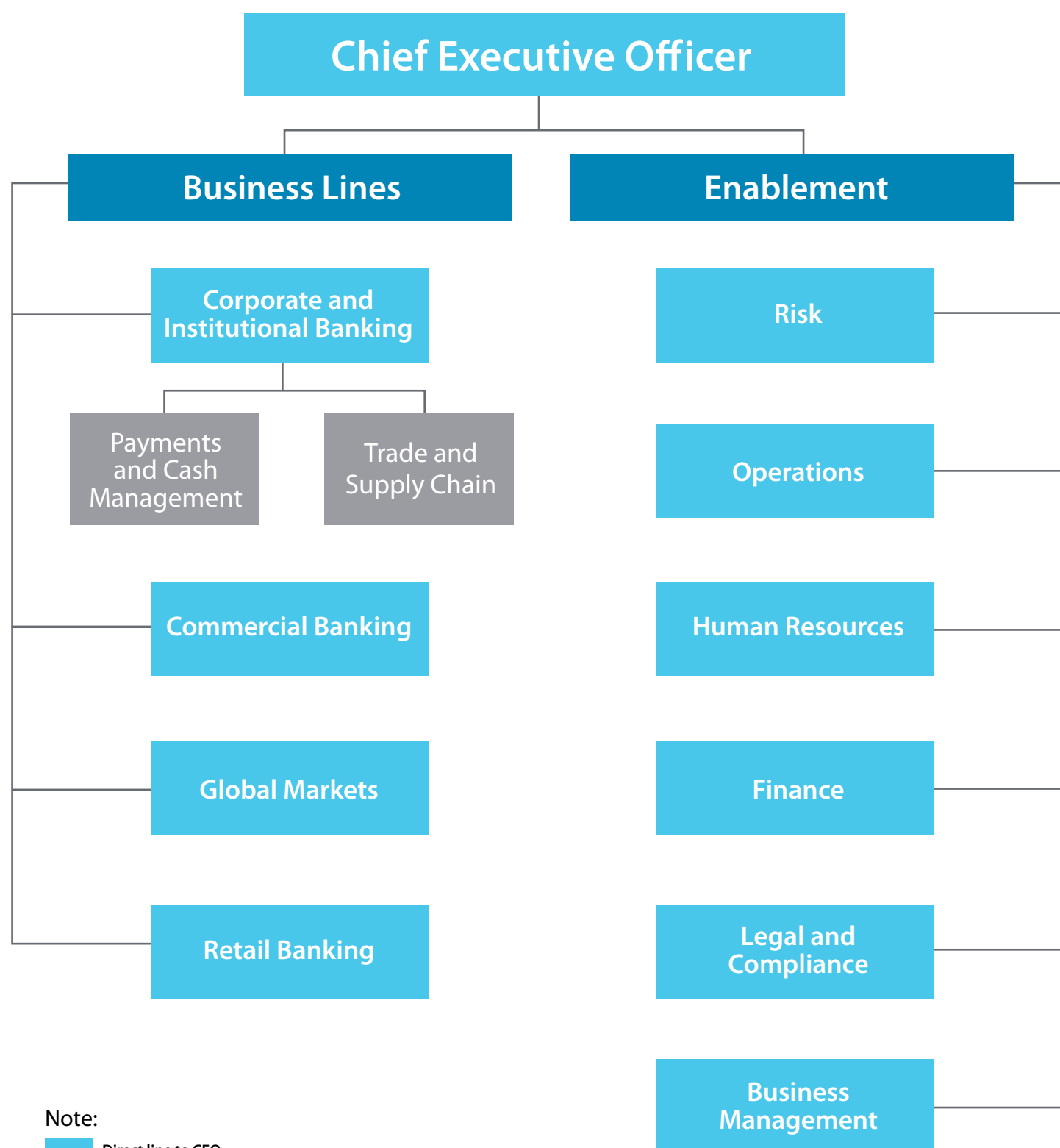
John McGinley
Head of Strategy & Business
Development - Greater Mekong Region

John joined ANZ Royal in 2007 as the Head of Commodity & Trade Finance. John was responsible for the start up and development of ANZ's Trade Finance market entry in Cambodia. In 2010, John was appointed the Head of Strategy & Business Development for Cambodia and this role was subsequently broadened to include responsibility for ANZ's operations in Vietnam, Myanmar and Laos. John's primary responsibilities include business growth strategy formulation, sectoral & market analysis, government relations, marketing and communications.

John has lived in Cambodia since 2003. Prior to joining ANZ, John worked in Cambodia as an economic development consultant specialising in Private Sector Development. John specialised in analysing market linkages, investment and regional development opportunities.

John undertook his graduate studies at University of New South Wales - Australia and is currently completing a Master's in Science in Economic Development from RMIT University in Melbourne, Australia. John sits on the boards of several organisations, both in the private sector and civil society in Cambodia.

ORGANISATIONAL CHART



Note:

Direct line to CEO

Reporting to CEO's Direct Report

OUR RESULTS

Review of Operating Result (USD millions)

Income Statement	2012 \$m	2011 \$m	Movt
Net interest income	24.8	23.3	7%
Other operating income	16.1	14.8	9%
Operating income	40.9	38.1	7%
Operating expenses	(23.9)	(23.8)	0%
Profit before credit impairment and income tax	17.0	14.3	19%
Provision for credit impairment	(0.8)	0.8	Large
Profit before income tax	16.2	15.1	7%
Income tax expense	(3.9)	(3.2)	24%
Profit attributable to shareholder of the Company	12.3	11.9	3%

Operating Income

Net Interest income increased by 7% with growth in average interest earning asset partially offset by a decline in the net interest margin.

Major movements in average interest earning asset growth include:

- Commercial US\$19m or 18%
- Retail US\$11m or 23%

Net interest margin decreased by 34bps in light of the growing competitions in the market. A drop of 46bps in external interest rate to 8.9% also reflected the Bank's focus on the more self-liquidated trade asset mix with lower margin. Lower funding cost by 11bps was bolstered by effective cost of fund management strategy.

Other Operating income increased by 9%, mainly contributed by good performance from 32% in Trade business, 10% in International Payment and 17% electronic banking respectively.

Operating Expenses

ANZ Royal's expense was contained with nil growth year on year as a result of productivity initiatives being undertaken across the board together with careful cost management in various focused areas.

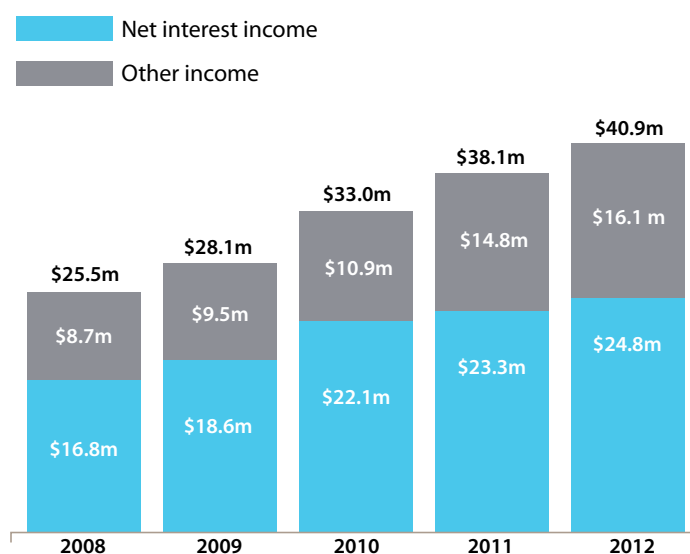
Provision for Credit Impairment

Total credit impairment charge relating to lending assets was increased due to classification restatement from IFRS to NBC classification.

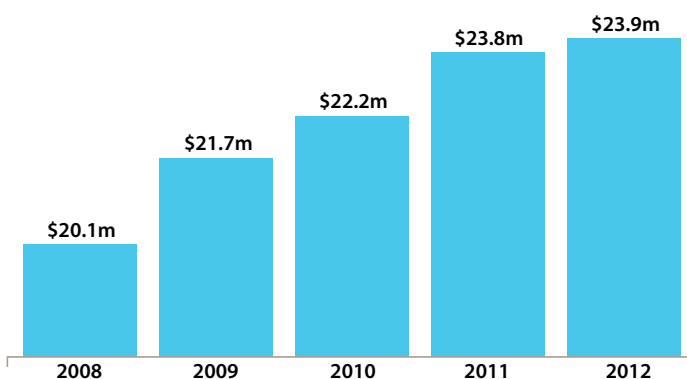
Through strong combination of revenue stream from respective line of business and cost management, ANZ Royal's underlying profit after tax in 2012 was US\$12.3m.

OUR RESULTS (Continued)

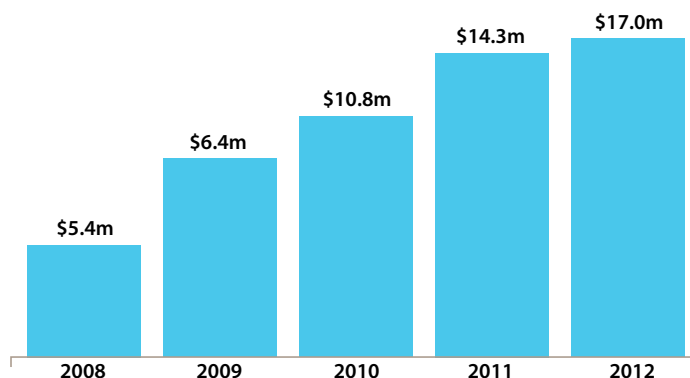
Total Revenue 2008-2012 (USD millions)



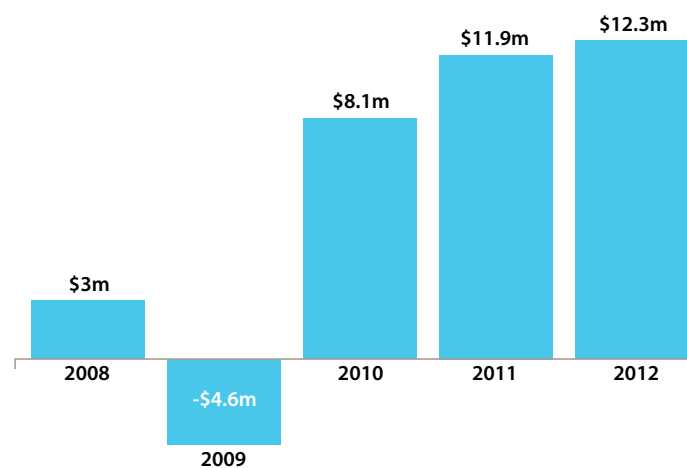
Total Operating Expenses 2008-2012 (USD millions)



Profit before Provision and Tax 2008 - 2012 (USD millions)



Profit after Provision and Tax 2008 - 2012 (USD millions)

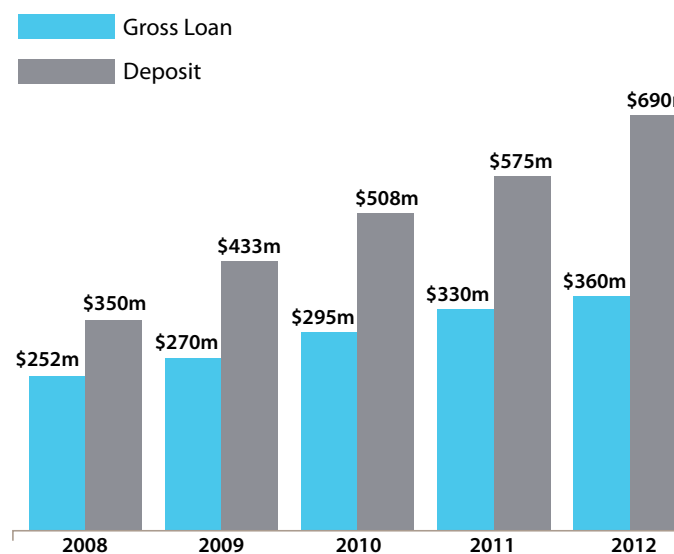


Balance Sheet

ANZ Royal's balance sheet continued to strengthen during 2012 with increased capital ratios of 21.4%, a higher level of liquidity, an increased proportion of funding from customer deposits and a reduction in the proportion of impaired assets to gross loans and advances.

- Asset growth of 9.2% to US\$360m was primarily driven by 40% increase in gross loans and advances in Commercial banking, 14% in Retail and Wealth banking and partially offset by 14% decrease in Institutional Banking.

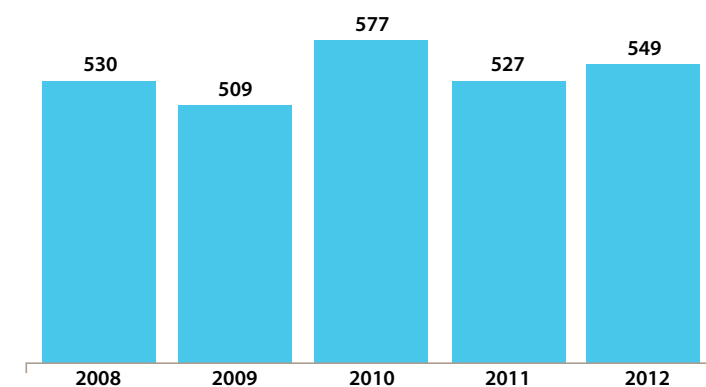
Gross Loan and Deposit 2008 - 2012



- Liabilities growth of 19.9% to US\$690m was principally driven by a solid growth in customer deposit, which made up of 18% in TD and 82% in CASA. As at December 2012, Retail and Wealth banking deposit book was US\$380m or 55% of total balance, Institutional banking was US\$207m or 30% and Commercial banking was US\$103m or 15%.

- Provision for Credit Impairment: Credit quality has improved throughout the year. Provision is slightly higher compared to prior year as we continued to take a prudent approach on impaired assets and increased general provision in line with the growth in lending assets. Non-Performing Loan ratio (over total loans) was 4.2% (2011: 3.6%). Realised losses on these Impaired assets are expected to be minimal.

Staff Numbers - FTE 2008 - 2012



CORPORATE INFORMATION

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 AND
REPORT OF THE INDEPENDENT AUDITORS

Bank	ANZ Royal Bank (Cambodia) Ltd.
Registration No.	Co. 2135E/2004
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 Alistair Marshall Bulloch Nigel Christopher William Denby William Mark Hanna Thuy Bich Dam Mark Timothy Robinson
Management Team	Grant Knuckey , Chief Executive Officer (appointed on 21 May 2012) Lyphanna Kith , Chief Operating Officer (appointed on 21 January 2013) Pheakdey Pok , Head of Finance Nigel Piper , Chief Risk Officer Deline Sieng , Head of Legal and Compliance Chenda Khak , Head of Human Resources David James Parrott , Head of Retail Banking Sochal Dith , Head of Commercial Banking David Sok Dara Marshall , Head of Corporate & Institutional Banking Rohan George , Head of Markets John McGinley , Head of Strategy & Business Development - Greater Mekong Region Stephen Higgins , Chief Executive Officer (resigned on 17 February 2012) Chim Guang Hui , Chief Operating Officer (resigned on 9 December 2012)
Auditor	KPMG Cambodia Ltd.

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REPORT OF THE DIRECTORS

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 2012.

Principal activities

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

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

Financial results

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

	US\$
Profit before income tax	16,183,415
Income tax expense	(3,929,373)
Net profit for the year	12,254,042

Dividends

During the year, the Bank declared and paid dividends of US\$2,000,000 to the shareholders.

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 as 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 which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

Contingent and other liabilities

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

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

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

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.

REPORT OF THE DIRECTORS (Continued)

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 period 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
Alistair Marshall Bulloch
Nigel Christopher William Denby
William Mark Hanna
Thuy Bich Dam
Mark Timothy Robinson

Directors' interests

None of the Directors held or dealt directly or indirectly in the shares of the Bank during the financial year, except for the information disclosed in Note 1.

Directors' benefits

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

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

Directors' responsibility in respect of the financial statements

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

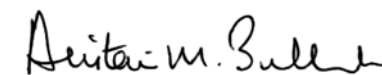
- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial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

The Board of Directors confirms that 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



Alistair Marshall Bulloch
 Director
 Date: 7 March 2013

REPORT OF THE INDEPENDENT AUDITORS

**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 balance sheet as at 31 December 2012, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 30 to 63.

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ANZ Royal Bank (Cambodia) Ltd. as at 31 December 2012 and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

For KPMG Cambodia Ltd.



Phnom Penh, Kingdom of Cambodia
 7 March 2013

BALANCE SHEET

As at 31 December 2012

	Note	2012		2011
		US\$	KHR'000 (Note 5)	US\$
Assets				
Cash and bank balances	6	166,855,956	666,589,544	94,711,947
Deposits and placements with banks	7	181,100,000	723,494,500	155,176,637
Net loans and advances	8	341,737,610	1,365,241,752	312,448,734
Statutory deposits	9	94,727,015	378,434,425	92,091,743
Other assets	10	2,479,928	9,907,312	3,552,462
Intangible assets	11	37,628	150,324	40,821
Premises and equipment	12	7,784,296	31,098,263	10,389,679
Total assets		794,722,433	3,174,916,120	668,412,023
Liabilities and shareholders' funds				
Liabilities				
Deposits from other banks		1,175,296	4,695,307	127,991
Deposits from customers	13	689,710,535	2,755,393,588	575,221,701
Borrowings	14	-	-	2,362,500
Income tax liability	15	3,421,832	13,670,219	3,191,870
Payables and other liabilities	16	7,295,437	29,145,271	4,594,534
Deferred tax liabilities, net	15	-	-	48,136
Total liabilities		701,603,100	2,802,904,385	585,546,732
Shareholders' funds				
Share capital	17	71,000,000	283,645,000	71,000,000
Retained earnings		22,119,333	88,366,735	11,865,291
Total shareholders' funds		93,119,333	372,011,735	82,865,291
Total liabilities and shareholders' funds		794,722,433	3,174,916,120	668,412,023

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

INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012		2011
		US\$	KHR'000 (Note 5)	US\$
Interest income	18	29,350,422	117,254,936	28,017,838
Interest expense	19	(4,561,354)	(18,222,609)	(4,745,917)
Net interest income		24,789,068	99,032,327	23,271,921
Net fee and commission income	20	16,121,405	64,405,012	14,841,423
Operating income		40,910,473	163,437,339	38,113,344
Operating expenses	21	(23,931,324)	(95,605,639)	(23,825,962)
(Allowance for)/reversal of allowance for bad and doubtful loans and advances	8	(795,734)	(3,178,957)	786,986
Profit before income tax		16,183,415	64,652,743	15,074,368
Income tax expense	15	(3,929,373)	(15,697,845)	(3,157,138)
Net profit for the year		12,254,042	48,954,898	11,917,230

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share Capital	(Accumulated losses)/Retained earnings	Total
	US\$	US\$	US\$
Balance as at 1 January 2011	71,000,000	(51,939)	70,948,061
Net profit for the year	-	11,917,230	11,917,230
Balance as at 31 December 2011	71,000,000	11,865,291	82,865,291
Net profit for the year	-	12,254,042	12,254,042
Dividends paid	-	(2,000,000)	(2,000,000)
Balance as at 31 December 2012	71,000,000	22,119,333	93,119,333
(KHR'000 equivalents – Note 5)	283,645,000	88,366,735	372,011,735

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 US\$	KHR'000 (Note 5)	2011 US\$
Cash flows from operating activities				
Net cash generated from operating activities	22	27,011,625	107,911,441	22,662,968
Cash flows from investing activities				
Premises and equipment purchased		(255,351)	(1,020,127)	(388,831)
Proceeds from disposal of premises and equipment		211,098	843,337	69,182
Net cash used in investing activities		(44,253)	(176,790)	(319,649)
Cash flows from financing activities				
Dividends paid		(2,000,000)	(7,990,000)	-
Net cash used in financing activities		(2,000,000)	(7,990,000)	-
Net increase in cash and cash equivalents		24,967,372	99,744,651	22,343,319
Cash and cash equivalents at beginning of year		229,888,584	918,404,893	207,545,265
Cash and cash equivalents at end of year	23	254,855,956	1,018,149,544	229,888,584

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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1. Organisation and principal activities

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 549 employees (2011: 527 employees) as at 31 December 2012.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards ("CASs") and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements. These are the Bank's first financial statements prepared in accordance with CASs.

An explanation of how the transition to CASs has affected the reported balance sheet, income statement and cash flows of the Bank is provided in Note 4.

The financial statements of the Bank were authorised for issue by the Board of Directors on 7 March 2013.

(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 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.

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year 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 following significant accounting policies have been adopted by the Bank in the preparation of these financial statements.

(a) Financial instruments

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

(b) 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.

(c) Deposits and placements with banks

Deposits and placements with banks are carried at cost.

(d) Loans and advances

All loans and advances to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances.

Loans are written off when there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the income statement.

(e) Allowance for bad and doubtful loans and advances

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

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

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.

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss", all collateral may be utilised, at market values approved by the NBC.

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

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

(f) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from loans and advances.

(g) Statutory deposits

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by NBC.

(h) Other assets

Other assets are stated at estimated realisable value.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases. Operating leases are recognised as an expense on a straight-line basis over the lease term.

(j) 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 accumulated amortisation and accumulated impairment losses, if any. 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.

(k) Premises and equipment

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

(ii) Depreciation of premises and equipment is charged to the income statement on a straight-line basis over the 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

(iii) Work in progress is not depreciated until such time as the items are completed and put into operational use.

(iv) Subsequent expenditure relating to an item of premises and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

36 - 37

3. Significant accounting policies (continued)**(k) Premises and equipment (continued)**

(iv) of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

(v) Gains or losses arising from the retirement or disposal of an item of premises and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(vi) Fully depreciated premises and equipment are retained in the financial statements until disposed of or written off.

(l) 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 and advances 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 the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of

money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

(m) Deposits from customers and banks

Deposits from customers and banks are stated at placement value.

(n) Borrowings

Borrowings are stated at the amount of the principal outstanding.

(o) Payables and other liabilities

Payables and other liabilities are stated at their costs.

(p) Provisions

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

(q) 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 received that are integral to the effective interest rate of a financial assets are recognised using the effective interest method. For example, loan commitment fees (together with related direct costs) are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn.

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 charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognised

3. Significant accounting policies (continued)**(q) Income recognition (continued)**

as income when service is provided.

(r) Interest expense

Interest expense on deposits from customers is recognised on a daily accruals basis.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to 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 balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

(t) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in profit or loss.

(u) 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% on gross salary per month.

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

(v) Related parties

Parties are considered to be related to the Bank if one party 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 where the Bank and the other 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 therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Bank.

4. Explanation of transition to CASs

As stated in Note 2(a), these are the Bank's first financial statements prepared in accordance with CASs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2012, and the comparative information presented in these financial statements for the year ended 31 December 2011.

In preparing its opening CAS balance sheet, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with International Financial Reporting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements (previous GAAP). An explanation of how the transition from the previous GAAP to CASs has affected the Bank's balance sheet, income statement and statement of cash flows is set out in the following tables and the notes that accompany the tables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

4. Explanation of transition to CASs (continued)

Reconciliation of Equity

	Previous GAAP	Effects of transition to CASs 1 January 2011	CASs	Previous GAAP	Effects of transition to CASs 31 December 2011	CASs
	US\$	US\$	US\$	US\$	US\$	US\$
Assets						
Cash and bank balances	128,545,265	-	128,545,265	94,711,947	-	94,711,947
Deposits and placements with banks	99,000,000	-	99,000,000	155,176,637	-	155,176,637
Net loans and advances	277,822,708	-	277,822,708	312,448,734	-	312,448,734
Statutory deposits	71,838,930	-	71,838,930	92,091,743	-	92,091,743
Other assets	8,916,288	(7,648,784)	1,267,504	23,470,825	(19,918,363)	3,552,462
Intangible assets	137,073	-	137,073	40,821	-	40,821
Premises and equipment	12,805,962	-	12,805,962	10,389,679	-	10,389,679
Total assets	599,066,226	(7,648,784)	591,417,442	688,330,386	(19,918,363)	668,412,023
Liabilities and shareholders' funds						
Liabilities						
Deposits from other banks	122,232	-	122,232	127,991	-	127,991
Deposits from customers	507,597,082	-	507,597,082	575,221,701	-	575,221,701
Borrowings	6,312,500	-	6,312,500	2,362,500	-	2,362,500
Income tax liability	366,649	-	366,649	3,191,870	-	3,191,870
Payables and other liabilities	13,363,516	(7,648,784)	5,714,732	24,512,897	(19,918,363)	4,594,534
Deferred tax liabilities, net	356,186	-	356,186	48,136	-	48,136
Total liabilities	528,118,165	(7,648,784)	520,469,381	605,465,095	(19,918,363)	585,546,732
Shareholders' funds						
Share capital	71,000,000	-	71,000,000	71,000,000	-	71,000,000
(Accumulated losses)/retained earnings	(51,939)	-	(51,939)	11,865,291	-	11,865,291
Total shareholders' funds	70,948,061	-	70,948,061	82,865,291	-	82,865,291
Total liabilities and shareholders' funds	599,066,226	-	591,417,442	688,330,386	-	668,412,023

4. Explanation of transition to CASs (continued)

Reconciliation of Income Statement
For the year ended 31 December 2011

	Previous GAAP	Effects of transition to CASs	CASs
	US\$	US\$	US\$
Interest income	29,453,990	(1,436,152)	28,017,838
Interest expense	(4,745,917)	-	(4,745,917)
Net interest income	24,708,073	(1,436,152)	23,271,921
Net fee and commission income	14,841,423	-	14,841,423
Operating income	39,549,496	(1,436,152)	38,113,344
Operating expenses	(23,825,962)	-	(23,825,962)
(Allowance for)/reversal of allowance for bad and doubtful loans and advances	(649,166)	1,436,152	786,986
Profit before income tax	15,074,368	-	15,074,368
Income tax expense	(3,157,138)	-	(3,157,138)
Net profit for the year	11,917,230	-	11,917,230

The impact arising from the change is summarised as follows:

Income statement

	1 January 2011	31 December 2011
	US\$	US\$
Interest income	(1,885,260)	(1,436,152)
Allowance for bad and doubtful loans and advances	1,885,260	1,436,152
Adjustment before income tax	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

4. Explanation of transition to CASs (continued)

Balance sheet

	1 January 2011	31 December 2011
	US\$	US\$
Other assets	(7,648,784)	(19,918,363)
Payables and other liabilities	(7,648,784)	(19,918,363)
Adjustment to retained earnings	-	-

5. 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 compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR3,995 published by the NBC on 31 December 2012. These convenient 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.

6. Cash and bank balances

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
In Cambodia:			
Cash on hand	48,727,708	194,667,193	32,148,616
Cash at banks			
National Bank of Cambodia	93,360,604	372,975,613	60,851,659
Other banks	3,248,091	12,976,124	5,847,230
	145,336,403	580,618,930	98,847,505
Outside Cambodia:			
Cash at banks			
Related parties	891,829	3,562,857	(230,944)
Others	20,627,724	82,407,757	(3,904,614)
	21,519,553	85,970,614	(4,135,558)
	166,855,956	666,589,544	94,711,947

6. Cash and bank balances (continued)

The above amounts are analysed as follows:

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
(a) By currency:			
US Dollars	148,202,106	592,067,413	86,423,317
Khmer Riel	10,567,152	42,215,772	6,551,923
Other	8,086,698	32,306,359	1,736,707
	166,855,956	666,589,544	94,711,947
(b) By interest rates (per annum):			
Related parties	0% - 3.25%		0% - 3.25%
Other	0% - 3.25%		0% - 3.25%

7. Deposits and placements with banks

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
In Cambodia:			
National Bank of Cambodia	100,000,000	399,500,000	87,000,000
Malayan Banking Berhad - Phnom Penh Branch	20,000,000	79,900,000	20,000,000
Outside Cambodia:			
ANZ Singapore	46,100,000	184,169,500	48,176,637
ANZ Laos	15,000,000	59,925,000	-
	181,100,000	723,494,500	155,176,637

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

7. Deposits and placements with banks (continued)

The above amounts are analysed as follows:

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
(a) By maturity:			
Within 1 month	133,000,000	531,335,000	59,176,637
2 to 3 months	28,100,000	112,259,500	76,000,000
6 to 12 months	20,000,000	79,900,000	20,000,000
	181,100,000	723,494,500	155,176,637
(b) By currency:			
US Dollars	181,100,000	723,494,500	152,000,000
Other	-	-	3,176,637
	181,100,000	723,494,500	155,176,637
(c) By interest rates (per annum):			
	2012	2011	
National Bank of Cambodia	0.10% - 0.23%	0.14% - 0.26%	
Malayan Banking Berhad - Phnom Penh Branch	1.05% - 1.25%	1.25% - 1.75%	
ANZ Singapore	0.82% - 1.12%	0.10% - 1.12%	
ANZ Laos	1.75% - 2.00%	N/A	

8. Net loans and advances

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Term loans	119,518,895	477,477,985	174,434,419
Overdrafts	47,028,621	187,879,341	37,887,316
Housing loans	60,347,377	241,087,771	50,677,940
Trade finance loans	132,188,471	528,092,942	65,048,707
Credit cards	1,345,350	5,374,673	1,914,059
	360,428,714	1,439,912,712	329,962,441
Allowance for bad and doubtful loans and advances	(11,869,051)	(47,416,859)	(11,502,150)
Interest in-suspense	(6,229,420)	(24,886,532)	(5,086,529)
Unearned income	(592,633)	(2,367,569)	(925,028)
	341,737,610	1,365,241,752	312,448,734

8. Net loans and advances (continued)

The above amounts are analysed as follows:

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
(a) By maturity:			
Within 1 month	41,096,816	164,181,780	21,210,238
2 to 3 months	104,083,038	415,811,737	50,598,564
4 to 6 months	66,318,605	264,942,827	25,753,362
7 to 12 months	16,091,057	64,283,773	42,249,561
1 to 3 years	52,321,885	209,025,930	91,098,553
4 to 5 years	27,362,063	109,311,442	22,710,135
More than 5 years	53,155,250	212,355,223	76,342,028
	360,428,714	1,439,912,712	329,962,441
(b) By performance:			
Standard loans			
Secured	341,689,071	1,365,047,839	306,719,742
Unsecured	392,954	1,569,851	496,893
Special mention loans			
Secured	3,168,966	12,660,019	10,528,200
Unsecured	26,569	106,143	112,324
Sub-standard loans			
Secured	459,141	1,834,268	1,010,727
Unsecured	-	-	2,956
Doubtful loans			
Secured	-	-	124,281
Loss loans			
Secured	14,692,013	58,694,592	10,967,318
	360,428,714	1,439,912,712	329,962,441
(c) By economic sectors:			
Commercial			
Overdrafts	47,028,621	187,879,341	37,887,316
Loans	119,125,941	475,908,134	173,935,335
Trade finance loans	132,188,471	528,092,942	65,048,707
Consumer			
Loans	60,740,331	242,657,622	51,177,024
Credit cards	1,345,350	5,374,673	1,914,059
	360,428,714	1,439,912,712	329,962,441

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

8. Net loans and advances (continued)

The above amounts are analysed as follows (continued):

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
(d) By industry:			
Services	13,075,268	52,235,696	65,966,240
Wholesale and retail	211,956,080	846,764,540	144,259,451
Consumer items	51,844,251	207,117,783	45,179,443
Real estate	3,428,723	13,697,748	7,752,866
Construction	11,588,092	46,294,428	7,524,982
Food industries	24,376,092	97,382,487	515,092
Manufacturing	28,850,861	115,259,190	43,109,925
Staff loans	8,896,044	35,539,696	7,911,640
Other	6,413,303	25,621,144	7,742,802
	360,428,714	1,439,912,712	329,962,441
(e) By currency:			
US Dollars	360,428,714	1,439,912,712	329,962,441
(f) By residency status:			
Residents	360,428,714	1,439,912,712	329,962,441
(g) By relationship:			
Third parties	350,545,650	1,400,429,871	320,509,789
Staff loans	8,896,043	35,539,692	7,911,640
Related parties	987,021	3,943,149	1,541,012
	360,428,714	1,439,912,712	329,962,441
(h) By exposure:			
Large exposures	131,671,002	526,025,653	118,439,012
Non-large exposures	228,757,712	913,887,059	211,523,429
	360,428,714	1,439,912,712	329,962,441

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.

8. Net loans and advances (continued)

The above amounts are analysed as follows (continued):

(i) By interest rates (per annum):

	2012	2011
Overdrafts	6.80% - 15.00%	7.50% - 15.40%
Commercial loans	6.25% - 14.20%	7.50% - 14.20%
Consumer loans	7.99% - 12.00%	10.00% - 12.00%

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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
At beginning of year	11,502,150	45,951,089	12,363,481
Provision for/(reversal of) allowance for bad and doubtful loans and advances	795,734	3,178,957	(786,986)
Written off	(428,833)	(1,713,187)	(74,345)
At end of year	11,869,051	47,416,859	11,502,150

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

9. Statutory deposits

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Statutory deposits on:			
Minimum share capital	7,100,000	28,364,500	7,100,000
Customers' deposits	87,627,015	350,069,925	84,991,743
	94,727,015	378,434,425	92,091,743

(a) Statutory deposits on minimum capital

This is a capital guarantee deposit of 10% of the registered capital under 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, interest was earned at rates ranging from 0.13% to 0.20% per annum (31 December 2011: 0.09% to 0.13% per annum).

(b) Statutory deposit on customers' deposits

This is a reserve requirement that 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.

Subsequently, the National Bank of Cambodia issued Prakas No. B7-12-140 dated 13 September 2012, where the rate of customers' deposits other than KHR was increased to 12.5%. Only 4.5% of deposit in currency other than KHR could earn interest at 1/2 SIBOR (one month) while the remaining 8% and customers' deposits in KHR do not earn interest.

10. Other assets

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Interest receivable			
- Related parties	294,450	1,176,328	180,937
- Other	137,433	549,045	64,818
Deposits and prepayments	799,466	3,193,866	574,993
Due from related parties	229,782	917,979	335,983
Others	1,018,797	4,070,094	2,395,731
	2,479,928	9,907,312	3,552,462

11. Intangible assets

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Computer and banking software			
Cost			
At 1 January	691,405	2,762,163	688,078
Transfers from work in progress	46,364	185,224	3,327
At 31 December	737,769	2,947,387	691,405
Less: Accumulated amortisation			
At 1 January	650,584	2,599,083	551,005
Amortisation	49,557	197,980	99,579
At 31 December	700,141	2,797,063	650,584
Carrying value			
At 31 December	37,628	150,324	40,821

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

12. Premises and equipment

	Computers	Furniture and equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 5)
Cost							
At 1 January 2012	10,174,939	3,516,594	986,295	10,117,352	260,263	25,055,443	100,096,495
Additions	-	-	-	-	255,351	255,351	1,020,127
Transfers	177,809	48,225	-	10,934	(283,332)	(46,364)	(185,224)
Disposals	-	-	(377,457)	-	(26,297)	(403,754)	(1,612,997)
Written off	(195,584)	(22,121)	-	(451,054)	-	(668,759)	(2,671,692)
At 31 December 2012	10,157,164	3,542,698	608,838	9,677,232	205,985	24,191,917	96,646,709
Less: Accumulated depreciation							
At 1 January 2012	7,937,035	1,748,665	635,019	4,345,045	-	14,665,764	58,589,727
Depreciation	926,203	354,979	144,786	1,031,711	-	2,457,679	9,818,428
Disposals	-	-	(347,203)	-	-	(347,203)	(1,387,076)
Written off	(163,070)	(9,659)	-	(195,890)	-	(368,619)	(1,472,633)
At 31 December 2012	8,700,168	2,093,985	432,602	5,180,866	-	16,407,621	65,548,446
Carrying value							
At 31 December 2012	1,456,996	1,448,713	176,236	4,496,366	205,985	7,784,296	31,098,263
At 31 December 2011	2,237,904	1,767,929	351,276	5,772,307	260,263	10,389,679	

13. Deposits from customers

	2012		2011	
	US\$	KHR'000 (Note 5)	US\$	
Current accounts		359,095,816	1,434,587,785	236,897,096
Savings deposits		206,285,657	824,111,200	228,887,236
Fixed deposits		124,329,062	496,694,603	109,437,369
		689,710,535	2,755,393,588	575,221,701

13. Deposits from customers (continued)

The above amounts are analysed as follows:

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
(a) By maturity:			
Within 1 month	608,572,182	2,431,245,867	502,135,109
2 to 3 months	30,551,066	122,051,509	35,679,144
4 to 6 months	28,032,883	111,991,368	20,709,745
7 to 12 months	22,363,971	89,344,064	16,697,703
1 to 3 years	23,933	95,612	-
4 to 5 years	166,500	665,168	-
	689,710,535	2,755,393,588	575,221,701
(b) By type of customer:			
Domestic corporations	303,029,694	1,210,603,628	218,027,171
Foreign corporations	11,876,277	47,445,727	16,254,859
Individuals	371,982,030	1,486,068,210	339,037,296
Other	2,822,534	11,276,023	1,902,375
	689,710,535	2,755,393,588	575,221,701
(c) By relationship:			
Third parties	670,038,174	2,676,802,506	551,471,033
Related parties	19,672,361	78,591,082	23,750,668
	689,710,535	2,755,393,588	575,221,701
(d) By currency:			
US Dollars	669,031,226	2,672,779,748	563,088,181
Khmer Riel	15,236,600	60,870,217	9,092,888
Other	5,442,709	21,743,623	3,040,632
	689,710,535	2,755,393,588	575,221,701
(e) By interest rates (per annum):			
		2012	2011
Savings deposits		0.20% - 1.50%	0.15% - 1.75%
Fixed deposits		0.50% - 5.50%	0.40% - 5.50%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

14. Borrowings

Prior year represents borrowings in United States Dollars from ANZ Singapore, a related party. Amounts were unsecured, bore interest at a rate ranging from 2.60% to 3.55% (2011: 2.60% to 3.55%) per annum. The Bank fully repaid these borrowings on 6 August 2012.

15. Income tax**(a) Deferred tax assets/(liabilities), net**

Deferred tax assets/(liabilities) comprise:

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Provisions	1,195	4,774	206,107
Depreciation	127,379	508,879	(185,449)
Other	(128,574)	(513,653)	(68,794)
	-	-	(48,136)

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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Balance at beginning of year	(48,136)	(192,303)	(356,186)
Credit from profit or loss	48,136	192,303	308,050
Balance at end of year	-	-	(48,136)

(b) Income tax liability

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Balance at beginning of year	3,191,870	12,751,521	366,649
Current tax expense	3,977,509	15,890,148	3,465,188
Income tax paid	(3,747,547)	(14,971,450)	(639,967)
Balance at end of year	3,421,832	13,670,219	3,191,870

15. Income tax (continued)**(c) Income tax expense**

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Current tax expense	3,977,509	15,890,148	3,465,188
Deferred tax credit	(48,136)	(192,303)	(308,050)
	3,929,373	15,697,845	3,157,138

In accordance with Cambodian law, the Bank bears corporate income tax of the profit tax at the rate of 20% of taxable profits or 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 year is as follows:

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Profit before income tax	16,183,415	64,652,743	15,074,368
Income tax using statutory rate	3,236,683	12,930,549	3,014,874
Effect of non-deductible expense	625,832	2,500,198	328,631
Under/(over) provision in prior year	66,858	267,098	(186,367)
	3,929,373	15,697,845	3,157,138

16. Payables and other liabilities

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Employee entitlements	1,690,816	6,754,810	1,267,056
Accruals	631,663	2,523,494	1,210,818
Interest payable	841,828	3,363,103	710,412
Banker's cheques	1,533,844	6,127,707	140,349
Due to related parties	664,572	2,654,965	741,967
Other tax payable	1,254,380	5,011,248	205,499
Others	678,334	2,709,944	318,433
	7,295,437	29,145,271	4,594,534

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

17. Share capital

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Shares of US\$100 each:			
Issued and fully paid 710,000 shares	71,000,000	283,645,000	71,000,000

18. Interest income

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Loans and advances	28,449,219	113,654,630	27,500,724
Placement with banks	546,423	2,182,960	297,940
Placement with National Bank of Cambodia	354,780	1,417,346	219,174
	29,350,422	117,254,936	28,017,838

19. Interest expense

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Deposits from customers	4,539,981	18,137,224	4,594,956
Other financial institutions	21,373	85,385	150,961
	4,561,354	18,222,609	4,745,917

20. Net fee and commission income

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Fee and commission income:			
Trade and payment income	8,165,383	32,620,705	6,732,098
Lending fees	842,236	3,364,732	904,495
Other fees	5,607,391	22,401,527	5,318,464
	14,615,010	58,386,964	12,955,057
Fee and commission expense	(1,194,574)	(4,772,323)	(1,206,012)
Net fee and commission income	13,420,436	53,614,641	11,749,045
Foreign exchange earnings	2,700,969	10,790,371	3,092,378
	16,121,405	64,405,012	14,841,423

21. Operating expenses

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
(a) Personnel			
Salaries and wages	7,274,919	29,063,301	7,396,075
Performance reward scheme	1,295,250	5,174,524	1,627,256
Pension fund	284,164	1,135,235	246,041
Others	1,128,044	4,506,536	1,069,263
	9,982,377	39,879,596	10,338,635
(b) Premises			
Rental	970,273	3,876,241	995,957
Utilities and other outgoings	1,138,662	4,548,955	1,191,653
Depreciation of leasehold improvements	1,031,711	4,121,685	1,039,156
Others	222,556	889,111	228,946
	3,363,202	13,435,992	3,455,712
(c) Computer			
Data communication	704,474	2,814,374	678,083
Depreciation and amortisation	975,760	3,898,161	1,273,647
Computer-related expenses	156,672	625,905	763,633
	1,836,906	7,338,440	2,715,363
(d) Other operating expenses			
Advertising	777,533	3,106,244	729,259
Depreciation of motor vehicles, furniture and equipment	499,765	1,996,561	537,126
Inter-group expenses	1,456,540	5,818,877	1,704,325
Withholding tax	1,702,273	6,800,581	615,478
Bank charges	1,629,622	6,510,340	1,199,695
Travel	372,531	1,488,261	358,455
Postage and stationery	208,803	834,168	206,561
Professional fees	115,855	462,841	135,308
Telephone	183,603	733,494	243,313
Freight and cartage	37,902	151,418	20,450
Non-lending losses, frauds and forgeries	30,995	123,825	149,123
Others	1,733,417	6,925,001	1,417,159
	8,748,839	34,951,611	7,316,252
	23,931,324	95,605,639	23,825,962

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

22. Cash flows from operating activities

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Profit before income tax	16,183,415	64,652,743	15,074,368
Adjustments for:			
Amortisation	49,557	197,980	99,579
Depreciation	2,457,679	9,818,428	2,750,350
Gain on disposal of equipment	(154,547)	(617,415)	(17,745)
Premises and equipment written off	300,140	1,199,059	-
Provision for/(reversal of) doubtful debt	795,734	3,178,957	(786,986)
	19,631,978	78,429,752	17,119,566
Changes in:			
Deposits and placements with banks	(73,100,000)	(292,034,500)	-
Loans and advances	(30,084,610)	(120,188,017)	(33,839,040)
Statutory deposits	(2,635,272)	(10,527,912)	(20,252,813)
Other assets	1,072,534	4,284,773	(2,284,958)
Borrowings	(2,362,500)	(9,438,188)	(3,950,000)
Deposits from customers	115,536,139	461,566,875	67,630,378
Payables and other liabilities	2,700,903	10,790,108	(1,120,198)
Net cash generated from operations	30,759,172	122,882,891	23,302,935
Income tax paid	(3,747,547)	(14,971,450)	(639,967)
Net cash generated from operating activities	27,011,625	107,911,441	22,662,968

23. Cash and cash equivalents

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Cash and bank balances (Note 6)	166,855,956	666,589,544	94,711,947
Deposits and placements with banks (with original maturities of 3 months or less)	88,000,000	351,560,000	135,176,637
	254,855,956	1,018,149,544	229,888,584

24. Commitments and contingencies

(a) Operations

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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Bank guarantees	26,373,478	105,362,045	23,392,927
Letters of credit	102,326,579	408,794,683	84,205,522
Unused portion of loans and advances	59,694,834	238,480,862	39,840,328
Foreign exchange commitments	471,796	1,884,825	1,364,794
	188,866,687	754,522,415	148,803,571

(b) Lease commitments

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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Within 1 year	926,571	3,701,651	1,094,295
1 to 3 years	1,312,751	5,244,440	1,692,526
4 to 5 years	270,811	1,081,890	375,925
More than 5 years	24,380	97,398	134,728
	2,534,513	10,125,379	3,297,474

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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25. 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) Balance with related party

Balance with related parties are disclosed in Notes 6, 7, 8(g), 13(c) and 16.

(c) Other related party transactions

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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Interest income	706,938	2,824,217	431,991
Interest expense	206,963	826,817	484,324
Rental expense	269,500	1,076,653	277,200
Purchase/transfer technology from ANZ Banking Group Limited	1,456,540	5,818,877	1,861,572

26. Financial risk management**Introduction and overview**

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

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

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

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 (ALCO), Risk Management and Audit and Risk committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All 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 and Risk Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

26. 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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Loans and advances			
Individually impaired	15,151,154	60,528,860	12,105,282
Past due but not impaired	3,195,535	12,766,162	10,640,524
Neither past due nor impaired	342,082,025	1,366,617,690	307,216,635
	360,428,714	1,439,912,712	329,962,441
Allowance for doubtful loans and advances	(11,869,051)	(47,416,859)	(11,502,150)
	348,559,663	1,392,495,853	318,460,291

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

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26. Financial risk management (continued)**(b) Credit risk (continued)****(ii) Exposure to 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 instalment periods and within a period of not less than 3 months.

Write-off policy

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

Collateral

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

26. Financial risk management (continued)**(b) Credit risk (continued)****(ii) Exposure to credit risk (continued)**

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

	2012		2011
	US\$	KHR'000 (Note 5)	US\$
Against individually impaired:			
Land	25,866,474	103,336,564	21,960,300
Buildings	2,602,896	10,398,570	1,276,382
Past due but not impaired:			
Land	478,610	1,912,047	2,365,059
Buildings	89,292	356,722	14,792
	29,037,272	116,003,903	25,616,533

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 are shown in Note 8 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 2012, 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 on the next page.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2012	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\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Assets									
Cash and bank balances	21,515	-	-	-	-	-	145,341	166,856	-
Deposits and placements with banks	133,000	28,100	-	20,000	-	-	-	181,100	0.96%
Loans and advances	41,097	104,083	66,319	16,091	79,684	53,155	-	360,429	8.06%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(11,869)	(11,869)	-
- Interest in-suspense	-	-	-	-	-	-	(6,229)	(6,229)	-
- Unearned income	-	-	-	-	-	-	(593)	(593)	-
Statutory deposits	-	-	-	-	-	38,060	56,667	94,727	0.15%
Other assets	-	-	-	-	-	-	2,480	2,480	-
	195,612	132,183	66,319	36,091	79,684	91,215	185,797	786,901	
Liabilities									
Deposits from other banks	-	-	-	-	-	-	1,175	1,175	-
Deposits from customers	249,477	30,551	28,033	22,364	190	-	359,096	689,711	4.55%
Payables and other liabilities	-	-	-	-	-	-	7,296	7,296	-
	249,477	30,551	28,033	22,364	190	-	367,567	698,182	
Maturity gap	(53,865)	101,632	38,286	13,727	79,494	91,215	(181,770)	88,719	

26. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2011	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\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Assets									
Cash and bank balances	(4,136)	-	-	-	-	-	98,848	94,712	-
Deposits and placements with banks	59,177	76,000	-	20,000	-	-	-	155,177	0.57%
Loans and advances	21,210	50,599	25,753	42,250	113,809	76,342	-	329,963	8.88%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(11,502)	(11,502)	-
- Interest in-suspense	-	-	-	-	-	-	(5,087)	(5,087)	-
- Unearned income	-	-	-	-	-	-	(925)	(925)	-
Statutory deposits	-	-	-	-	-	36,092	56,000	92,092	0.11%
Other assets	-	-	-	-	-	-	3,553	3,553	-
	76,251	126,599	25,753	62,250	113,809	112,434	140,887	657,983	
Liabilities									
Deposits from other banks	-	-	-	-	-	-	127	127	-
Deposits from customers	265,238	35,679	20,710	16,698	-	-	236,897	575,222	4.55%
Borrowings	1,000	1,363	-	-	-	-	-	2,363	3.08%
Payables and other liabilities	-	-	-	-	-	-	4,595	4,595	-
	266,238	37,042	20,710	16,698	-	-	241,619	582,307	
Maturity gap	(189,987)	89,557	5,043	45,552	113,809	112,434	(100,732)	75,676	

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 derivatives as at the year end are not significant. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012

26. Financial risk management (continued)**(d) Liquidity risk**

Liquidity risk relates to the Bank's 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.

31 December 2012	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
Financial liabilities							
Deposits from other banks	-	-	-	-	-	1,175	1,175
Deposits from customers	608,573	30,551	50,397	190	-	-	689,711
Payables and other liabilities	-	-	-	-	-	7,296	7,296
Total	608,573	30,551	50,397	190	-	8,471	698,182

31 December 2011**Financial liabilities**

Deposits from other banks	-	-	-	-	-	127	127
Deposits from customers	502,135	35,679	37,408	-	-	-	575,222
Borrowings	1,000	1,363	-	-	-	-	2,363
Payables and other liabilities	-	-	-	-	-	4,595	4,595
Total	503,135	37,042	37,408	-	-	4,722	582,307

26. Financial risk management (continued)**(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.

27. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2012.

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2012

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		2012			2011
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
CAPITAL							
1	Equity to total assets	Equity	Total assets	96,605,118	798,208,218	12.10%	12.80%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	92,094,684	798,208,218	11.54%	12.11%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	92,094,684	447,608,031	20.57%	22.96%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	95,580,469	447,608,031	21.35%	23.83%
5	Net worth to total assets	Net worth	Total assets	95,580,469	798,208,218	11.97%	12.56%
6	Solvency ratio	Net worth	Risk weighted assets	95,580,469	447,608,031	21.35%	23.83%
7	Debts to total assets	Total liabilities	Total assets	701,603,100	798,208,218	87.90%	87.20%
8	Debt to equity	Total liabilities	Equity	701,603,100	96,605,118	726.26%	681.36%
9	Dividend to net profit	Dividend	Net profit	2,000,000	12,254,042	16.32%	-
ASSET QUALITY							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	3,485,785	360,428,714	0.97%	0.93%
11	Banking reserve to total assets	Banking reserves	Total assets	3,485,785	798,208,218	0.44%	0.46%
12	NPL to total loans	NPL	Total loans (gross)	15,151,154	360,428,714	4.20%	3.67%
13	NPL to total assets	NPL	Total assets	15,151,154	798,208,218	1.90%	1.80%
14	Classified assets to total loans	Classified assets	Total loans (gross)	15,151,154	360,428,714	4.20%	3.67%
15	Classified assets to total assets	Classified assets	Total assets	15,151,154	798,208,218	1.90%	1.80%
16	Classified assets to equity	Classified assets	Equity	15,151,154	96,605,118	15.68%	14.09%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	987,021	360,428,714	0.27%	0.47%
18	Large exposure to total loans	Large exposure	Total loans (gross)	171,289,787	360,428,714	47.52%	32.72%
19	Loan to related parties to net worth	Loan to related parties	Net worth	987,021	95,580,469	1.03%	1.83%
20	Large exposure to net worth	Large exposure	Net worth	171,289,787	95,580,469	179.21%	127.98%
21	General provision to total loans	General provision	Total loans (gross)	3,485,785	360,428,714	0.97%	1.11%
22	Specific provision to total loans	Specific provision	Total loans (gross)	8,383,266	360,428,714	2.33%	2.38%
23	Specific provision to NPL	Specific provision	NPL	8,383,266	15,151,154	55.33%	64.80%
24	All allowances to total assets	Total all allowances	Total assets	11,869,051	798,208,218	1.49%	1.71%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	360,428,714	690,885,831	52.17%	57.35%

No.	Other Ratios	Formula by NBC		2012			2011
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
EARNINGS							
26	Return on assets	Net profit	Total assets	12,254,042	798,208,218	1.54%	1.77%
27	Return on equity	Net profit	Equity	12,254,042	96,605,118	12.68%	13.87%
28	Gross yield	Interest income	Total assets	29,350,422	798,208,218	3.68%	4.39%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	24,789,068	798,208,218	3.11%	3.68%
30	Other income to total assets	Other incomes	Total assets	17,315,979	798,208,218	2.17%	2.21%
31	Provision to total assets	Provisions	Total assets	11,869,051	798,208,218	1.49%	1.71%
32	Overhead to total assets	Non-interest expenses	Total assets	25,125,898	798,208,218	3.15%	3.57%
33	Net income before tax to total assets	Net income before tax	Total assets	16,183,415	798,208,218	2.03%	2.24%
34	Taxes to total assets	Taxes	Total assets	3,929,373	798,208,218	-0.49%	-0.47%
35	Interest margin to gross income	Interest income – Interest expense	Gross income	24,789,068	46,666,401	53.12%	55.78%
36	Non-interest income to gross income	Non-interest income	Gross income	17,315,979	46,666,401	37.11%	33.51%
37	Non-interest expense to gross income	Non-interest expense	Gross income	25,125,898	46,666,401	53.84%	54.17%
38	Times interest earned	Profit before tax + interest expense	Interest expense	20,744,769	4,561,354	4.55 times	4.18 times
EARNINGS							
39	Liquid asset	Liquid asset	Total assets	347,955,956	798,208,218	43.59%	37.21%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	701,603,100	798,208,218	87.90%	87.20%
41	Net liquid assets	Liquid assets – short-term liabilities	Total liabilities	(353,647,144)	701,603,100	-50.41%	-57.32%
42	Quick ratio	Quick assets *	Current liabilities	347,955,956	701,603,100	49.59%	42.68%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	690,885,831	360,428,714	191.68%	174.37%

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

BRANCH LOCATIONS

