

ANZ ROYAL:  
CAMBODIA'S LEADING INTERNATIONAL BANK

ANZ Royal Annual Report 2013

ANZ Royal Bank (Cambodia) Ltd.  
20 Kramoun Sar & Corner of Street 67, Sangkat Phsar Thmey I,  
Khan Daun Penh, Phnom Penh, Kingdom of Cambodia

Phone: (855) 23 999 000 Fax: (855) 23 221 309  
P. O. Box 624 SWIFT: ANZBKHPP



## BRANCH LOCATIONS (Continued)

# Confidence.

It's our expertise that  
helped make us  
Cambodia's Bank of the Year.

It's also the same expertise that you can count on to connect you to the right people, the right products and the right opportunities in Cambodia and across Asia Pacific.

- Cambodia's Bank of the Year – The Banker magazine, Bank of the Year Awards 2006, 2011 and 2013

---

- Asia Pacific's Bank of the Year – The Banker magazine, Bank of the Year Awards 2013

---

- Top 4 Corporate Bank in Asia – Greenwich Associates, Asian Large Corporate Banking Survey 2012-2013

---

## 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

Or by phone on:  
Local: 023 999 000  
International: +855 23 999 000  
Email: [ccc@anz.com](mailto:ccc@anz.com)  
SWIFT: ANZBKHPP



## OUR VALUES



02 - 03

### Integrity:

Do what is right

### Collaboration:

Connect and work as one for our customers and shareholders

### Accountability:

Own your actions, make it happen

### Respect:

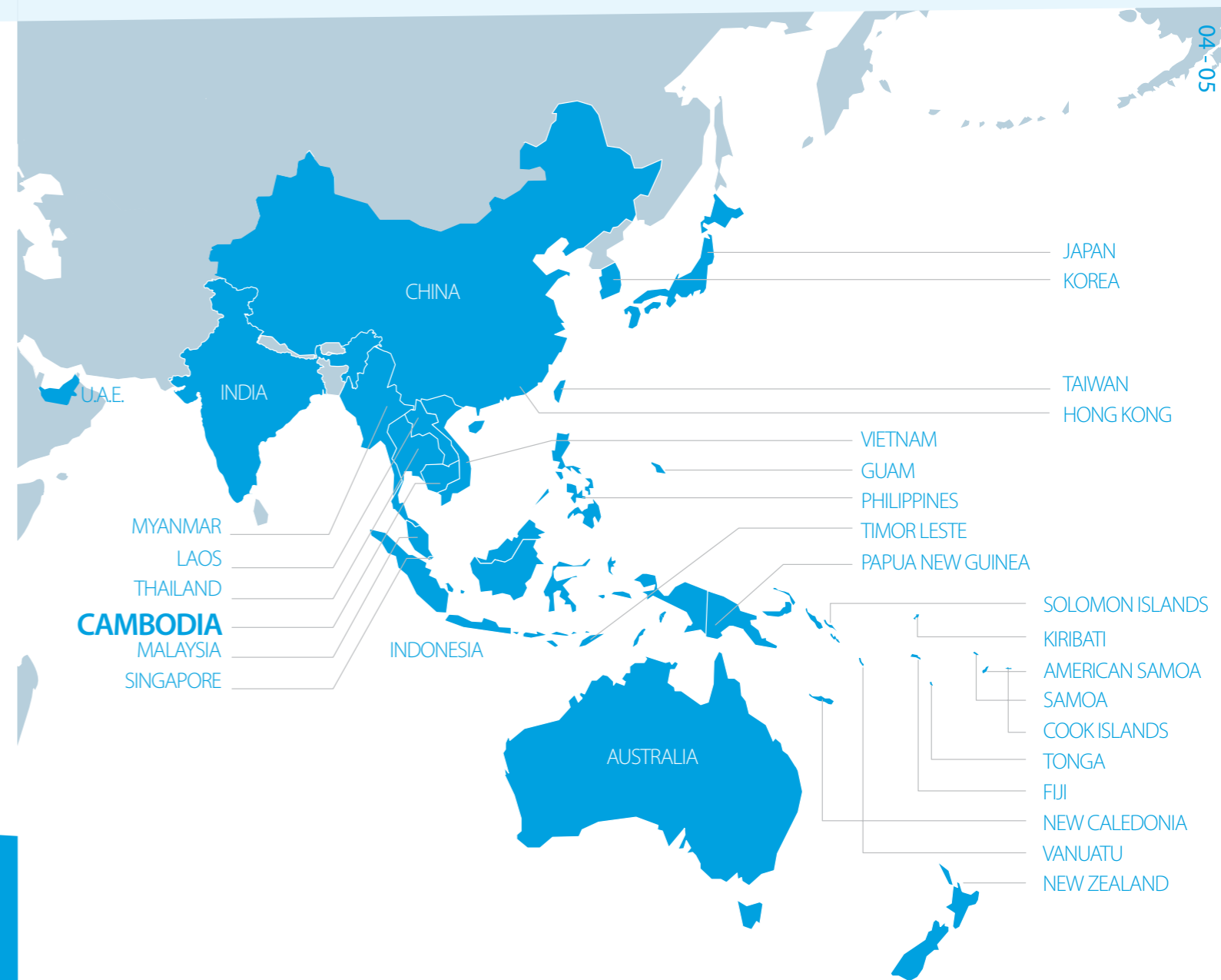
Value every voice, bring the customer's view to ANZ Royal

### Excellence:

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

## OUR NETWORK

-  **Cambodia's Bank of the Year – The Banker magazine, Bank of the Year Awards 2006, 2011 and 2013**
-  **Asia Pacific's Bank of the Year – The Banker magazine, Bank of the Year Awards 2013**
-  **Top 4 Corporate Bank in Asia – Greenwich Associates Asian Large Corporate Banking Survey, 2012-2013**



### ANZ Snapshots

- Ranked No. 1 on Dow Jones banking sustainability index for 6 out of last 7 years
- Credit rating of AA from Standard and Poor's<sup>1</sup>
- Top 4 Corporate Bank in Asia by Greenwich Associates<sup>2</sup>
- One of the world's top 25 banks by market capitalisation<sup>3</sup>
- Over 8 million customers around the world
- Ranked 18 on Global Finance Magazine's World's 50 Safest Banks<sup>4</sup>

With a super-regional network that spans across 33 markets around the world.



1 Source: standardandpoors.com  
3 Based on market capitalisation

2 Source: Greenwich Associates Asian Large Corporate Banking Survey 2013  
4 As at September 2012



## CEO'S REPORT



### Performance

2013 was an extremely good year for ANZ Royal across all performance metrics. The business delivered an exceptional increase in net profit after tax of 47%, recording \$18.1m. This was the result of solid increases in revenue, well-managed costs, and very healthy collections and provision write-backs.

Business volumes also reflected the strong financial performance. Loan volume rose 17% year-on-year, with deposits increasing 19%.

Within our individual lines of business, there were some standout results:

- Our Mortgage business grew by 38%
- Trade Finance grew by 36%
- Our Priority Banking segment grew its customer base by over 45%

The success of ANZ Royal was also recognised externally in 2013, with the following accolades earned by the team:

- Bank of the Year (The Banker)
- Home Lender of the Year (Business Cambodia)
- Foreign Bank of the Year (Cambodian Banking Awards)
- Small Contact Centre of the Year (runner-up, Asia Pacific)

This external recognition was particularly pleasing after the hard work put in over the last 12 to 18 months to ensure the business was clear in its strategy and “fit for growth”.

We enter 2014 with good performance momentum, and a strategy which is paying dividends in terms of delivering sustainable growth. The focused nature of our strategy means that we choose to miss out on some pockets of growth in the Cambodian market, but we do so on the basis of ensuring long-term success, with minimal surprises.

Our staff engagement levels continued at a record level of 81% in 2013, with the “Performance Excellence” metric rising to a historic high of 85%. We continue to invest heavily in the development of our people, as this is the true source of the distinct advantage that ANZ Royal has in the Cambodian market. This is a fact that is clearly obvious to our competitors, who continue to heavily target ANZ Royal staff.

### Competitive Environment

The competitive tension that was recognised in 2012 continued apace in 2013, as ever-increasing numbers of commercial banks fought for a relatively narrow borrower base.

This manifested itself in continued falls in lending rates, with some segments now pricing at more than 3% below the levels seen 2 years ago. This compression is not in our view generally

reflective of improved credit quality, and the risk-adjusted returns in the Cambodian market are now becoming unattractive.

There is no change evident to this situation in 2014, with a continuation of the trend towards competitive refinancing likely to continue.

However, we remain confident in the ability of ANZ Royal to endure and even thrive in such conditions, as our low cost of deposit funds, combined with our very rigorous credit approach and relationship banking model, make ANZ Royal the most sustainable bank in the Cambodian system.

### Macro Outlook

The Cambodian economy continued its strong growth path in 2013, albeit the latter half of the year was noticeably more subdued after the national elections. The post-election tensions impacted confidence, activity and investment, with some consequent effect on the banking sector.

Notwithstanding this issue, the economy enjoyed many strong underlying trends that should underpin growth for many years to come. The investment in manufacturing, in particular from Japan, continued relatively unabated, and is bringing a critical level of skills transfer to the market. Growth in rice exports was also remarkable, with a near-doubling of volumes creating new demand for trade and working capital finance.

Moving into 2014, we are confident on the overall direction for the Cambodian economy. The tailwinds provided by the combination of Japanese outward investment, the diversification out of China, and the momentum of ASEAN, will continue to underpin growth. Most importantly, a clear and urgent reform mindset is evident in government, which should be the catalyst for a wave of business and investment-friendly change.

For ANZ Royal, the macro backdrop gives us even greater confidence in our future. This supportive environment, combined with a very clear and focused strategy, and the best bankers in the market, will provide us the launch pad for continued success in 2014 and beyond.

On behalf of ANZ Royal senior management, I would like to thank all of our customers for their support in 2013, as well as our staff for their dedication and continued efforts to make ANZ Royal the Great International Bank of Cambodia.



## RETAIL BANKING

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 2013:

### Convenience

- Customers can open a new account and complete transactions on the same day.
- Our 17 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.

### 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
- Internet Banking
- Bancassurance

### 2013 Achievements

- Home Lender of the Year
- Best 'Small' Contact Centre in Asia
- Promoted 20% of Retail staff to more senior positions within the Bank
- High (84%) staff engagement
- Two factor authentication for a more secure Internet Banking platform
- A record year for mortgage approvals and drawdowns

### Connectivity

ANZ has developed a Regional Centre of Excellence in Singapore for Wealth and Risk products. Our aim is to assist affluent Cambodian 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 24-hour Call Centre and Mobile Lending team.

### Our Goals for 2014

- To set the benchmark for customer service in the Banking Industry
- New products to help grow and protect our customers' wealth
- Access to wealth products across Asia
- Electronic banking services that make our customers' lives easier
- Developing Cambodia's future banking talent
- A trusted and international service 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 the 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 the 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.

### 2013 Key Highlights

Some of the key highlights of Commercial Banking in 2013:

- Supported exporting client base to increase the export of their locally produced products and tapped into new export destinations
- Conducted various seminars on banking products including trade finance products and market products to help improve clients' knowledge and understanding of banking products
- Promoted the improvement of accounting records and financial reporting among commercial customers
- Developed the team's knowledge and insights in key focused industries

### What We Offer

We offer a wide range of banking products and world-class service to our customers through our dedicated relationship management teams backed by a supporting team of product specialists who have 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, which make them well-equipped to understand our customers' banking needs from Deposits, Payments and Cash Management, Global Markets and Trade Finance to various borrowing options.

### Our Goals for 2014

- Offer new products that will meet the new needs of our customers
- Introduce new Internet Banking platform with enhanced capabilities for our customers
- Continue building industry knowledge and insights among the team
- Keep engaging relevant parties to promote and raise the standard of accounting records and financial reporting
- Help connect customers to be part of the regional and international trade supply as part of our effort to promote cross-border transactions.





## INSTITUTIONAL BANKING



We service the largest local and multinational companies operating in Cambodia. Our goal is to have a deep understanding of our customers' 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.

### 2013 Achievements

Some notable highlights for Corporate & Institutional Banking in 2013:

- Launch of our new Transactive Internet Banking platform
- CDRI ANZ Royal Outlook Conference
- Enhanced Payments and Cash management abilities and solutions
- First commodities hedging deal executed in Cambodia
- KHR Swaps
- Deepened electronic banking usage and lessened the need for physical cash transfers and cheques

### 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.

### Our Goals for 2014

- Continue to develop innovative product solutions in line with market needs
- Migration of new and existing clients to our new comprehensive internet banking platform, Transactive
- Development of a sustainable Leasing product
- Roll-out of commodity hedging solutions

## 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.

Although 2013 has witnessed a recovery in Global business activity, ANZ Royal has continued to adopt strict lending criteria and focus our support for businesses that are transparent, well-managed and are able to adapt to the changing business environment.

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 resulting from inadequate or failed internal processes, people and systems, or from external events.

ANZ Royal understands and manages operational risk efficiently and effectively, allocating appropriate capital to cover expected and unexpected losses to protect depositors, customers and shareholders. Our Operational risk measurement and management framework (ORMMF) supports our people to effectively manage the risks in their day-to-day decision making, provide quality service to the customer and ensure regulatory compliance.



## 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.

At ANZ Royal, we truly believe in living our 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 2013, ANZ Royal celebrated its eighth anniversary of operations in Cambodia. Throughout these eight 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 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 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 2013, ANZ Royal provided over USD90,000 in financial support to local charities. In addition, our staff contributed in excess of 3,000 hours of volunteer community service, in partnership with 22 different organisations providing support to vulnerable Cambodians. This reflects a genuine and honest commitment to supporting the communities in which we live.

## OUR PEOPLE



At ANZ Royal, we take pride in our growing customer satisfaction and success which are strongly driven by our committed and skillful team. This is why we continue to invest and ensure active measures to provide necessary and relevant development opportunities for our people, so new skills can be enriched and high performance can be enforced and rewarded.

### Achievements in 2013

The year 2013 was a remarkable and productive year with high staff engagement levels and effective development programs in place. We continued to deliver the promise of our employment brand based on the four core propositions of:

1. Long-term and international opportunity
2. Competitive remuneration and benefit packages
3. Performance-based culture that stimulates growth
4. Heavy investment in people through ongoing development

We launched the HiPo (High Potential Employee) Development Program targeted at internal senior staff who have highly outperformed their peers and have great development potential to possibly fill in core succession roles in the future. It is designed to help accelerate the personal development process through a series of classroom style training, mentorship sessions and exposure to a wide networking platform. They are empowered but challenged to explore the scope of the roles and push beyond it. With 13 strong existing members, more will be recruited and the HiPo team is expected to grow even stronger.

The promising new recruits are ambitious young individuals who are taking on numerous roles in different business units and they reflect the new phase of the Young Bankers Program. The Young Bankers are put through a number of different business units, allowing them to diversify their skills base, which will later allow them to easily find their place in the Bank and move on to bigger responsibilities. It is also conducted to test the resilience of the person and their ability to craft their own pathway and career.

### Priorities in 2014

To support our continued efforts to provide a working environment that is conducive to high performance where people feel a sense of ownership and produce impressive efforts, the following are our key focus points for this year:

- Maintain a positive and healthy working environment through competitive remuneration and benefits.
- Develop leaders through embedding the leader-led coaching program to uplift line managers' capabilities and further drive high-performance culture.
- Embedding the service culture to differentiate ourselves and embed our people with a customer-centric mindset.



## BOARD OF DIRECTORS

As at 31 December 2013

16 - 17

**Alistair Marshall Bulloch**

Chairman

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.

**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.

**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.

**Grant Knuckey**

Director

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 have been spent in Asia. His previous role was Head of Institutional Banking and Deputy CEO of ANZ China, based in Shanghai. Earlier roles have 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.

**Charles Savage**

Director

Charles Savage joined ANZ Group as Bank Executive in 2010. Before joining ANZ, he worked for HSBC Holdings Ltd as Bank Executive for almost 30 years. With 32 years of mobile international banking experience with two major international/ global banks, Charles has worked in 9 countries/territories and engaged in a broad range of general management, functional businesses and financial disciplines. He is highly experienced in developing and developed markets, front, middle and back office, with 11 years in specialist Risk roles and post-acquisition business integration. He was an active member of senior executive and country management teams and exhibits a high degree of cultural sensitivity promoting team and people management skills. In addition, he is a strong task-oriented and high-level performer.

**Steven Odgers**

Director

Steven Odgers is Head of Business Management/Chief of Staff to CEO Asia Pacific based in Hong Kong. His previous role was Vice President of ANZ SRCB Partnership, Shanghai. Earlier roles included Head of Strategy, Institutional Asia & NE Asia based in Hong Kong/Melbourne.

## EXECUTIVE MANAGEMENT 2013



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 2013



**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 have 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 six 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 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 included 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 2013 (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 startup 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.

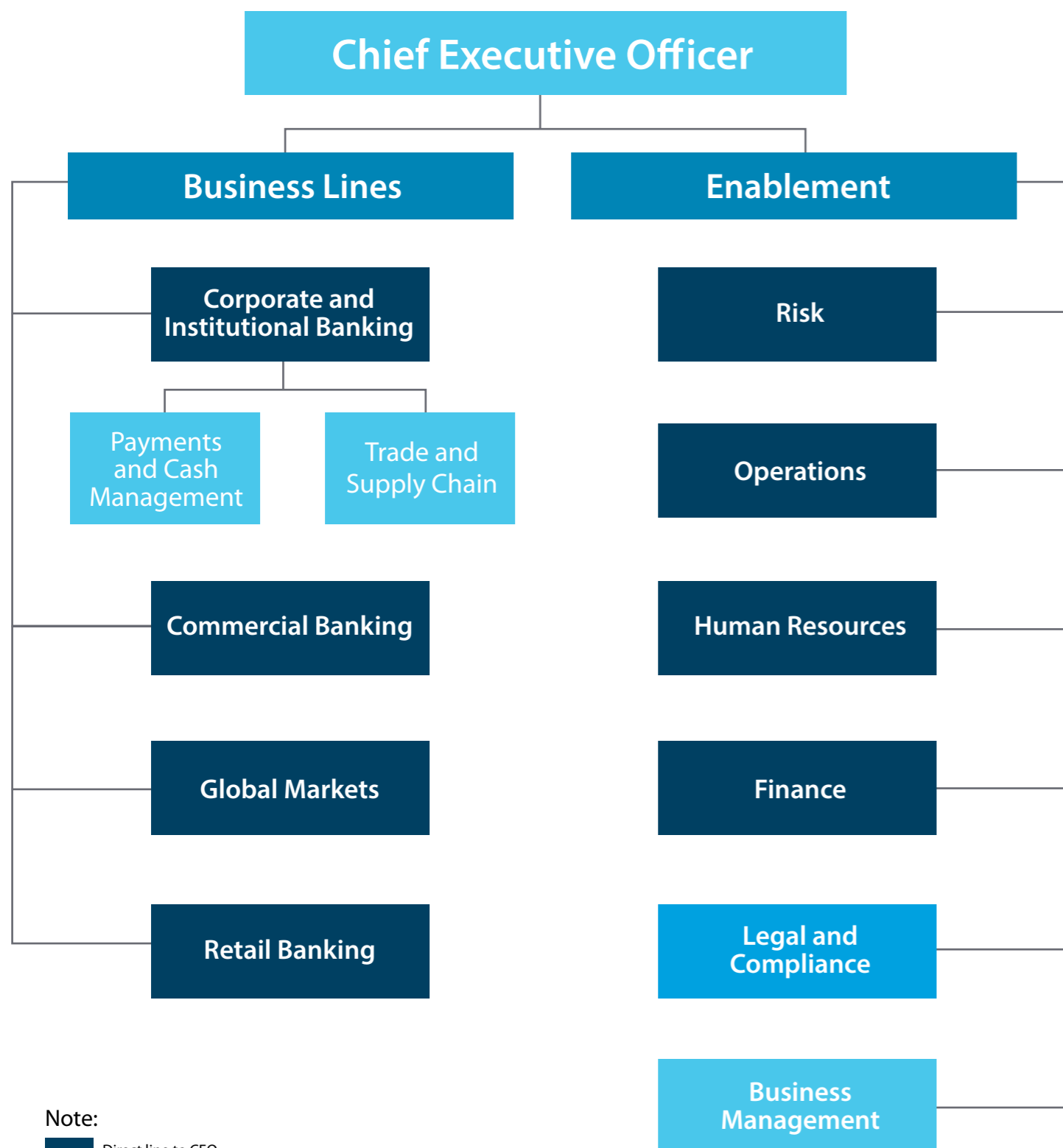
John has lived in Cambodia since 2003. Prior to joining ANZ, John worked in Cambodia as an economic development consultant specialising in Private Sector Development. John specialised in analysing market linkages, investment and regional development opportunities.

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

# FINANCE SUMMARY



**Note:**  
 Direct line to CEO  
 Reporting to CEO's Direct Report  
 Compliance having separate independent reporting line

## Financial Highlights

Financial Performance (\$M)	2013	2012	Movt %
Net interest income	28.2	24.8	13.8%
Other operating income	17.7	16.1	9.6%
Operating income	45.9	40.9	12.2%
Operating expenses	(24.6)	(23.9)	2.7%
Profit before credit impairment and income tax	21.3	17.0	25.5%
Provision for credit impairment	1.7	0.8	Large
Profit before income tax	23.0	16.2	41.9%
Income tax expense	(4.9)	(3.9)	24.7%
Net profit after tax	18.1	12.3	47.4%

## Growth 2013 v 2012

Growth by LOBs	Income	Expenses
Institutional Banking	+15.7%	-4.7%
Retail	+4.8%	+8.0%
Enablement	-	-10.3%

Growth by products	Income	Expenses
Relationship Banking	+5.7%	-9.1%
Payment & Cash Management	+3.6%	-5.0%
Trade & Supply Chain	+30.5%	+1.6%
Global Markets	+35.9%	+0.6%
Retail	+4.8%	+8.0%
Enablement	-	-10.3%

<b>Operating Income</b>	<b>+12.2%</b>
<b>Operating Expense</b>	<b>+2.7%</b>

## Achievements

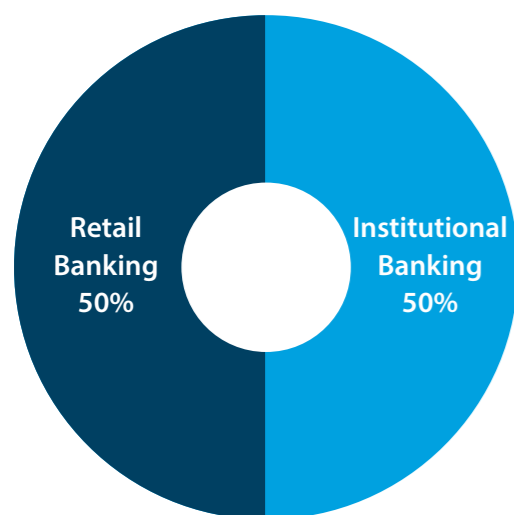
- Operating income increased by 12.2% yoy.
- Cost to income ratio dropped by 4.9% from 58.5% to 53.6%
- The provision charge decreased significantly compared to FY12, with favourable movement of \$1.7m in FY13 as a result of quality of asset writing and strong collection activity.
- Delivered a record profit of \$18.1 million, up 47% on FY12.

# FINANCE SUMMARY (Continued)

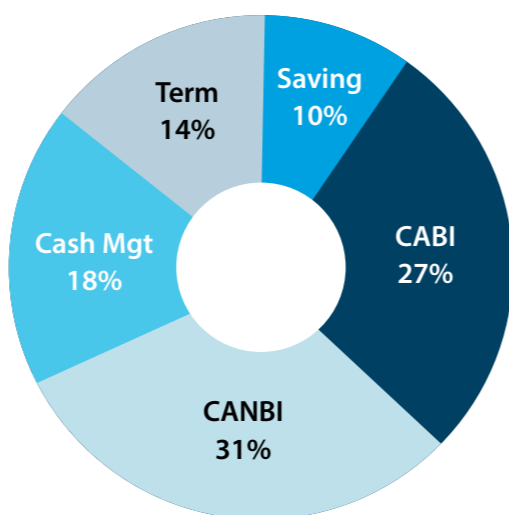
## Balance Sheet

The ANZ Royal balance sheet maintains a conservative funding approach. We have strong liquidity and capital management, with capital ratios of 18.6% in FY13, and a 24% increase in CASA deposit volume mix.

- Loan growth of 17.1% to \$422m was led by a 15% increase from Institutional Banking and 30% increase from Retail Banking.
- Deposit growth of 19.8% to \$820m.



Customer Deposits by LOBs and Products

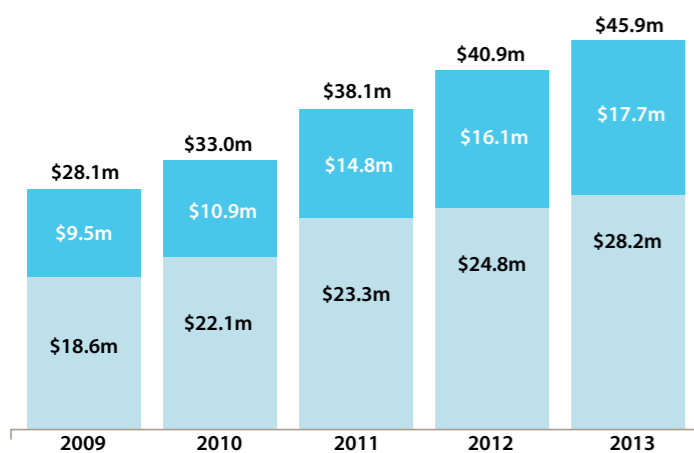


## Credit Quality

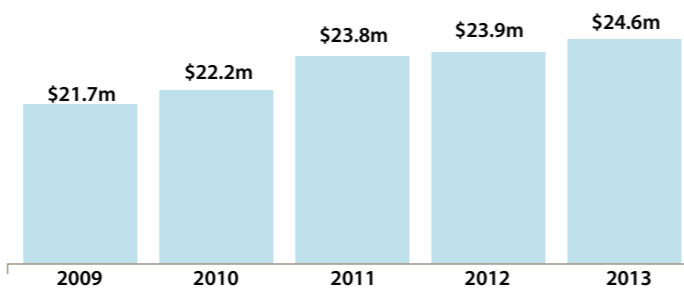
- Credit quality continues to improve. Gross impaired assets reduced by 14%, through disciplined execution and business growth in a low risk and sustainable manner.

## Total Revenue 2009-2013 (USD millions)

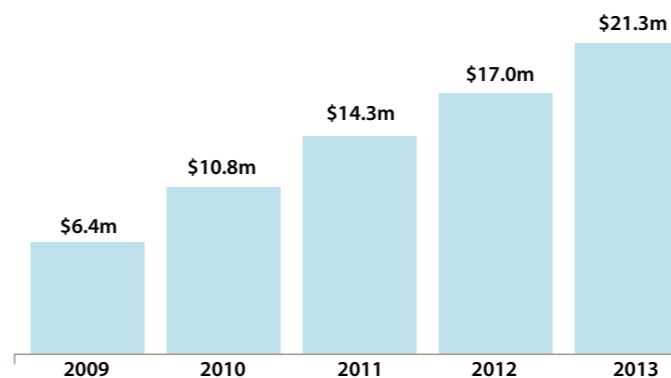
Net interest income  
Other income



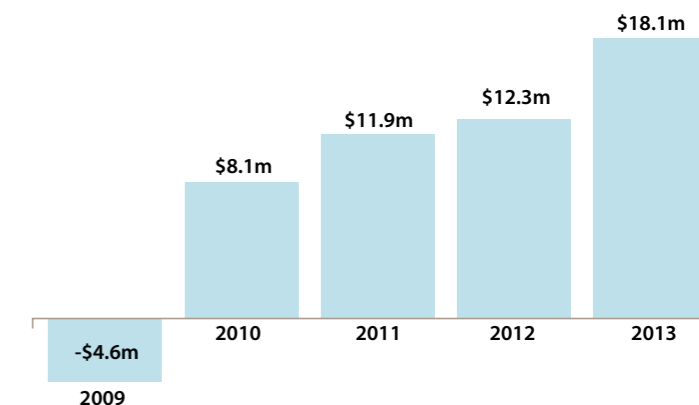
## Total Operating Expenses 2009-2013 (USD millions)



## Profit before Provision and Tax 2009 - 2013 (USD millions)

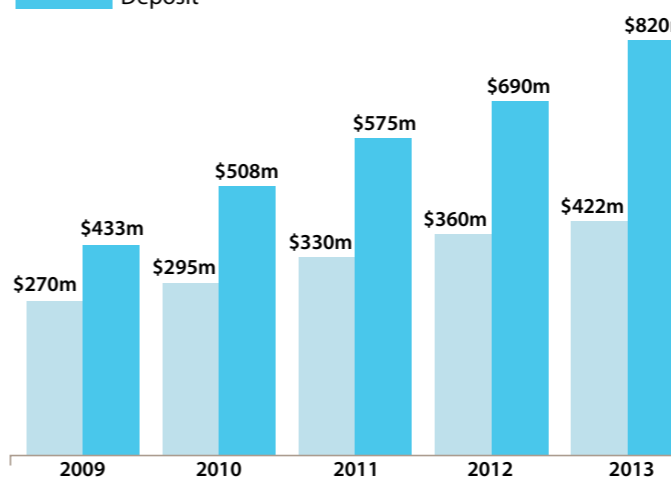


## Profit after Provision and Tax 2009 - 2013 (USD millions)

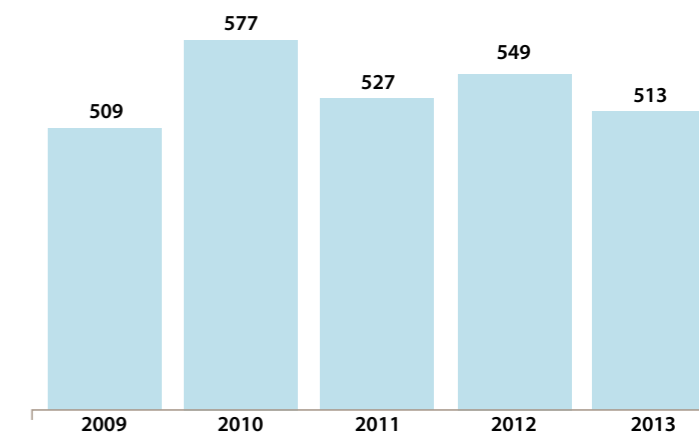


## Gross Loan and Deposit 2009 - 2013

Gross Loan  
Deposit



## Staff Numbers - FTE 2009 - 2013





## CORPORATE INFORMATION

28 - 29

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013  
AND  
REPORT OF THE INDEPENDENT AUDITORS

<b>Bank</b>	<b>ANZ Royal Bank (Cambodia) Ltd.</b>
<b>Registration No.</b>	Co. 2135E/2004
<b>Registered Office</b>	20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia
<b>Shareholders</b>	ANZ Funds Pty Ltd. Royal Group Finance Co., Ltd.
<b>Directors</b>	<b>Alistair Marshall Bulloch</b> , Chairman <b>Neak Oknha Kith Meng</b> <b>Oknha Kith Thieng</b> <b>William Mark Hanna</b> <b>Grant Knuckey</b> (appointed on 29 April 2013) <b>Charles David Campbell Savage</b> (appointed on 3 May 2013) <b>Steven Odgers</b> (appointed on 29 April 2013) <b>Mark Timothy Robinson</b> (resigned on 29 April 2013) <b>Thuy Bich Dam</b> (resigned on 29 April 2013) <b>Nigel Christopher William Denby</b> (resigned on 3 May 2013)
<b>Management Team</b>	<b>Grant Knuckey</b> , Chief Executive Officer <b>Kith Lyphanna</b> , Chief Operating Officer (appointed on 21 January 2013) <b>Pok Pheakdey</b> , Head of Finance <b>Nigel Piper</b> , Chief Risk Officer <b>Sieng Deline</b> , Head of Legal and Compliance <b>Khak Chenda</b> , Head of Human Resources <b>David James Parrott</b> , Head of Retail Banking <b>Dith Sochal</b> , Head of Commercial Banking <b>David Sok Dara Marshall</b> , Head of Corporate & Institutional Banking <b>Rohan George</b> , Head of Markets
<b>Auditor</b>	KPMG Cambodia Ltd.

## REPORT OF THE DIRECTORS

## CONTENTS

Report of the Directors	30
Report of the Independent Auditors	33
Balance Sheet	34
Income Statement	35
Statement of Changes in Equity	36
Statement of Cash Flows	37
Notes to the Financial Statements	38

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 2013.

**Principal activities**

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

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 2013 were as follows:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	22,959,782	91,724,330	16,183,415
Income tax expense	(4,899,282)	(19,572,632)	(3,929,373)
Net profit for the year	18,060,500	72,151,698	12,254,042

**Share capital**

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

**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:

- 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
- any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

**Change of circumstances**

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

**Items of unusual nature**

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of



## REPORT OF THE DIRECTORS (Continued)

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:

**Alistair Marshall Bulloch, Chairman**  
**Neak Oknha Kith Meng**  
**Oknha Kith Thieng**  
**William Mark Hanna**  
**Grant Knuckey** (appointed on 29 April 2013)  
**Charles David Campbell Savage** (appointed on 3 May 2013)  
**Steven Odgers** (appointed on 29 April 2013)  
**Mark Timothy Robinson** (resigned on 29 April 2013)  
**Thuy Bich Dam** (resigned on 29 April 2013)  
**Nigel Christopher William Denby** (resigned on 3 May 2013)

**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 2013, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

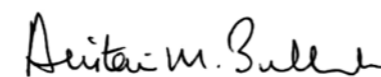
- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial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

The Board of Directors confirms that 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  
Chairman

Phnom Penh, Kingdom of Cambodia  
25 March 2014

## 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 2013, 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 34 to 67.

**Management's responsibility for the financial statements**

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

**Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 2013 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  
25 March 2014

## BALANCE SHEET

As at 31 December 2013

	Note	2013		2012
		US\$	KHR'000 (Note 4)	US\$
<b>Assets</b>				
Cash and bank balances	5	218,673,985	873,602,570	166,855,956
Deposits and placements with banks	6	202,100,000	807,389,500	181,100,000
Net loans and advances	7	404,301,527	1,615,184,600	341,737,610
Statutory deposits	8	106,604,340	425,884,338	94,727,015
Other assets	9	3,910,576	15,622,751	2,479,928
Intangible assets	10	14,679	58,643	37,628
Premises and equipment	11	6,351,410	25,373,883	7,784,296
Deferred tax asset, net	12	310,561	1,240,691	-
<b>Total assets</b>		<b>942,267,078</b>	<b>3,764,356,976</b>	<b>794,722,433</b>
<b>Liabilities and shareholders' funds</b>				
<b>Liabilities</b>				
Deposits from other banks		51,566	206,006	1,175,296
Deposits from customers	13	819,793,950	3,275,076,830	689,710,535
Income tax liability	12	4,668,310	18,649,898	3,421,832
Payables and other liabilities	14	6,573,419	26,260,809	7,295,437
<b>Total liabilities</b>		<b>831,087,245</b>	<b>3,320,193,543</b>	<b>701,603,100</b>
<b>Shareholders' funds</b>				
Share capital	15	71,000,000	283,645,000	71,000,000
Retained earnings		40,179,833	160,518,433	22,119,333
<b>Total shareholders' funds</b>		<b>111,179,833</b>	<b>444,163,433</b>	<b>93,119,333</b>
<b>Total liabilities and shareholders' funds</b>		<b>942,267,078</b>	<b>3,764,356,976</b>	<b>794,722,433</b>

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

## INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013		2012
		US\$	KHR'000 (Note 4)	US\$
Interest income	16	32,970,171	131,715,834	29,350,422
Interest expense	17	(4,751,614)	(18,982,698)	(4,561,354)
<b>Net interest income</b>		<b>28,218,557</b>	<b>112,733,136</b>	<b>24,789,068</b>
Net fee, commission income and foreign exchange earnings	18	17,676,083	70,615,952	16,121,405
<b>Operating income</b>		<b>45,894,640</b>	<b>183,349,088</b>	<b>40,910,473</b>
Operating expenses	19	(24,588,106)	(98,229,484)	(23,931,324)
Reversal of/(allowance for) bad and doubtful loans and advances	7	1,653,248	6,604,726	(795,734)
<b>Profit before income tax</b>		<b>22,959,782</b>	<b>91,724,330</b>	<b>16,183,415</b>
Income tax expense	12	(4,899,282)	(19,572,632)	(3,929,373)
<b>Net profit for the year</b>		<b>18,060,500</b>	<b>72,151,698</b>	<b>12,254,042</b>

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



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share Capital	Retained Earnings	Total
	US\$	US\$	US\$
Balance as at 1 January 2012	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
Balance as at 1 January 2013	71,000,000	22,119,333	93,119,333
Net profit for the year	-	18,060,500	18,060,500
Balance as at 31 December 2013	71,000,000	40,179,833	111,179,833
Balance as at 31 December 2013 (KHR'000 equivalents – Note 4)	283,645,000	160,518,433	444,163,433

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

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

		2013		2012
	Note	US\$	KHR'000 (Note 4)	US\$
<b>Cash flows from operating activities</b>				
Net cash generated from				
operating activities	20	120,532,218	481,526,211	27,011,625
<b>Cash flows from investing activities</b>				
Purchase of premises and equipment		(714,189)	(2,853,185)	(255,351)
Proceeds from disposal of premises and equipment		-	-	211,098
<b>Net cash used in investing activities</b>		(714,189)	(2,853,185)	(44,253)
<b>Cash flows from financing activities</b>				
Dividends paid		-	-	(2,000,000)
<b>Net cash used in financing activities</b>		-	-	(2,000,000)
<b>Net increase in cash and cash equivalents</b>		119,818,029	478,673,026	24,967,372
<b>Cash and cash equivalents at beginning of the year</b>		254,855,956	1,018,149,544	229,888,584
<b>Cash and cash equivalents at end of the year</b>	21	374,673,985	1,496,822,570	254,855,956

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

38 - 39

## 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 registered office of the Bank is currently located at 20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The Bank had 513 employees as at 31 December 2013 (2012: 549 employees).

## 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.

The financial statements of the Bank were authorised for issue by the Board of Directors on 25 March 2014.

### (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 judgments

The preparation of the financial statements requires management to make judgments, 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 judgments 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Financial instruments

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

### (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.

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 judgment 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 presented 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 the NBC. Statutory deposits are stated at cost.

### (h) Other assets

Other assets are stated at the lower of cost and 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.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

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

(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 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, except for loans and advances to customers, 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 cost.

**(n) Payables and other liabilities**

Payables and other liabilities are stated at their costs.

**(o) 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.

**(p) 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 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 as income when service is provided.

**3. Significant accounting policies (continued)****(q) Interest expense**

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

**(r) 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.

**(s) 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.

**(t) 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 for those who have worked with the Bank for less than 5 years and 8% on gross salary per month for those who have worked with the Bank for longer than 5 years.

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

**(u) 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 participate in the administration, direction, management or the design and implementation of the internal controls of the Bank.

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

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for 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 2013. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

42 - 43

## 5. Cash and bank balances

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
In Cambodia:			
Cash on hand	48,142,792	192,330,454	48,727,708
Cash at banks			
National Bank of Cambodia	155,801,872	622,428,479	93,360,604
Other banks	7,378,353	29,476,520	3,248,091
	211,323,017	844,235,453	145,336,403
Outside Cambodia:			
Cash at banks			
Related parties	(72,509)	(289,673)	891,829
Others	7,423,477	29,656,790	20,627,724
	7,350,968	29,367,117	21,519,553
	218,673,985	873,602,570	166,855,956

The above amounts are analysed as follows:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
(a) By currency:			
US Dollars	201,635,795	805,535,001	148,202,106
Khmer Riel	14,431,546	57,654,026	10,567,152
Other	2,606,644	10,413,543	8,086,698
	218,673,985	873,602,570	166,855,956

(b) By interest rates (per annum):

	2013	2012
Related parties	0% - 2.14%	0% - 3.25%
Other	0% - 1.10%	0% - 3.25%

## 6. Deposits and placements with banks

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
In Cambodia:			
National Bank of Cambodia	10,000,000	39,950,000	100,000,000
Other local banks	71,000,000	283,645,000	20,000,000
Outside Cambodia (related parties):			
ANZ Singapore	116,100,000	463,819,500	46,100,000
ANZ Laos	5,000,000	19,975,000	15,000,000
	202,100,000	807,389,500	181,100,000

The above amounts are analysed as follows:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	151,000,000	603,245,000	133,000,000
2 to 3 months	51,100,000	204,144,500	28,100,000
6 to 12 months	-	-	20,000,000
	202,100,000	807,389,500	181,100,000
(b) By currency:			
US Dollars	202,100,000	807,389,500	181,100,000



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

## 6. Deposits and placements with banks (continued)

The above amounts are analysed as follows (continued):

(c) By interest rates (per annum):

	2013	2012
National Bank of Cambodia	0.12%	0.10% - 0.23%
Other local banks	0.70% - 1.30%	1.05% - 1.25%
ANZ Singapore	0.15% - 0.84%	0.82% - 1.12%
ANZ Laos	1.90% - 2.10%	1.75% - 2.00%

## 7. Net loans and advances

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Term loans	151,353,978	604,659,142	119,518,895
Overdrafts	39,243,171	156,776,468	47,028,621
Housing loans	79,540,877	317,765,804	60,347,377
Trade finance loans	150,483,711	601,182,426	132,188,471
Credit cards	1,457,755	5,823,731	1,345,350
	422,079,492	1,686,207,571	360,428,714
Allowance for bad and doubtful loans and advances	(10,193,682)	(40,723,760)	(11,869,051)
Interest in-suspense	(6,951,634)	(27,771,778)	(6,229,420)
Unearned income	(632,649)	(2,527,433)	(592,633)
	404,301,527	1,615,184,600	341,737,610

## 7. Net loans and advances (continued)

The above amounts are analysed as follows (continued):

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	49,216,200	196,618,719	41,096,816
2 to 3 months	109,474,160	437,349,269	104,083,038
4 to 6 months	59,422,417	237,392,556	66,318,605
7 to 12 months	39,706,237	158,626,417	16,091,057
1 to 3 years	60,578,113	242,009,562	52,321,885
4 to 5 years	35,511,385	141,867,983	27,362,063
More than 5 years	68,170,980	272,343,065	53,155,250
	422,079,492	1,686,207,571	360,428,714
(b) By performance:			
Standard loans			
Secured	377,959,357	1,509,947,631	341,689,071
Unsecured	20,325,452	81,200,181	392,954
Special mention loans			
Secured	10,688,388	42,700,110	3,168,966
Unsecured	3,839	15,337	26,569
Sub-standard loans			
Secured	30,209	120,685	459,141
Doubtful loans			
Secured	11,642	46,510	-
Loss loans			
Secured	13,028,473	52,048,750	14,692,013
Unsecured	32,132	128,367	-
	422,079,492	1,686,207,571	360,428,714
(c) By economic sectors:			
Commercial			
Overdrafts	39,243,171	156,776,468	47,028,621
Loans	151,353,978	604,659,142	119,125,941
Trade finance loans	150,483,711	601,182,426	132,188,471
Consumer			
Loans	79,540,877	317,765,804	60,740,331
Credit cards	1,457,755	5,823,731	1,345,350
	422,079,492	1,686,207,571	360,428,714

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

## 7. Net loans and advances (continued)

The above amounts are analysed as follows (continued):

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
(d) By industry:			
Services	33,916,341	135,495,782	13,075,268
Wholesale and retail	208,020,784	831,043,032	211,956,080
Consumer items	70,555,463	281,869,075	51,844,251
Real estate	2,569,721	10,266,036	3,428,723
Construction	12,035,785	48,082,961	11,588,092
Food industries	43,276,610	172,890,057	24,376,092
Manufacturing	30,340,512	121,210,346	28,850,861
Staff loans	9,262,520	37,003,767	8,896,044
Others	12,101,756	48,346,515	6,413,303
	422,079,492	1,686,207,571	360,428,714
(e) By currency:			
US Dollars	422,079,492	1,686,207,571	360,428,714
(f) By residency status:			
Residents	422,079,492	1,686,207,571	360,428,714
(g) By relationship:			
Third parties	412,178,411	1,646,652,752	351,532,670
Staff loans	8,171,078	32,643,457	7,909,023
Related parties	1,730,003	6,911,362	987,021
	422,079,492	1,686,207,571	360,428,714
(h) By exposure:			
Large exposures	113,907,385	455,060,003	131,671,002
Non-large exposures	308,172,107	1,231,147,568	228,757,712
	422,079,492	1,686,207,571	360,428,714

## 7. Net loans and advances (continued)

The above amounts are analysed as follows (continued):

## (h) By exposure (continued)

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

## (i) By interest rates (per annum):

	2013	2012
Overdrafts	5.00% - 15.00%	6.80% - 15.00%
Commercial loans	3.70% - 12.00%	6.25% - 14.20%
Consumer loans	7.50% - 12.00%	7.99% - 12.00%

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

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
At beginning of year	11,869,051	47,416,859	11,502,150
(Reversal of)/allowance for bad and doubtful loans and advances	(1,653,248)	(6,604,726)	795,734
Written off	(22,121)	(88,373)	(428,833)
At end of year	10,193,682	40,723,760	11,869,051

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 2013

## 8. Statutory deposits

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Statutory deposits on:			
Minimum share capital	7,100,000	28,364,500	7,100,000
Customers' deposits	99,504,340	397,519,838	87,627,015
	106,604,340	425,884,338	94,727,015

## (a) Statutory deposits on minimum capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on bank's capital guarantee dated 15 October 2001. This capital guarantee, which is placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, interest was earned at rates ranging from 0.11% to 0.12% per annum (31 December 2012: 0.13% to 0.20% per annum).

## (b) Statutory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-12-140 dated 13 September 2012 at the rates of 8% of customers' deposits in KHR and 12.5% in currency other than KHR. 4.5% of statutory deposit on customers' deposits in currencies 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.

## 9. Other assets

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Interest receivable			
- Related parties	195,487	780,971	294,450
- Other	715,407	2,858,051	137,433
Deposits and prepayments	1,001,698	4,001,783	799,466
Due from related parties	(17,954)	(71,726)	229,782
Others	2,015,938	8,053,672	1,018,797
	3,910,576	15,622,751	2,479,928

## 10. Intangible assets

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
<b>Computer and banking software</b>			
<b>Cost</b>			
At 1 January	737,769	2,947,387	691,405
Transfers from work in progress	-	-	46,364
At 31 December	737,769	2,947,387	737,769
<b>Less: Accumulated amortisation</b>			
At 1 January	700,141	2,797,063	650,584
Amortisation	22,949	91,681	49,557
At 31 December	723,090	2,888,744	700,141
<b>Carrying amounts</b>			
At 31 December	14,679	58,643	37,628

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

## 11. Premises and equipment

2013

	Computers	Furniture and equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
<b>Cost</b>							
At 1 January 2013	10,157,164	3,542,698	608,838	9,677,232	205,985	24,191,917	96,646,709
Additions	-	-	-	-	714,189	714,189	2,853,185
Transfers	117,279	110,182	-	301,035	(528,496)	-	-
Written off	(24,459)	(6,750)	-	(86)	-	(31,295)	(125,024)
At 31 December 2013	10,249,984	3,646,130	608,838	9,978,181	391,678	24,874,811	99,374,870
<b>Less: Accumulated depreciation</b>							
At 1 January 2013	8,700,168	2,093,985	432,602	5,180,866	-	16,407,621	65,548,446
Depreciation	659,192	369,388	87,428	1,026,247	-	2,142,255	8,558,309
Written off	(21,314)	(5,075)	-	(86)	-	(26,475)	(105,768)
At 31 December 2013	9,338,046	2,458,298	520,030	6,207,027	-	18,523,401	74,000,987
<b>Carrying amounts</b>							
At 31 December 2013	911,938	1,187,832	88,808	3,771,154	391,678	6,351,410	25,373,883

## 11. Premises and equipment (continued)

2012

	Computers	Furniture and equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Cost</b>							
At 1 January 2012	10,174,939	3,516,594	986,295	10,117,352	260,263	24,191,917	25,055,443
Additions	-	-	-	-	255,351	255,351	255,351
Transfers	177,809	48,225	-	10,934	(283,332)	-	(46,364)
Disposals	-	-	(377,457)	-	(26,297)	-	(403,754)
Written off	(195,584)	(22,121)	-	(451,054)	-	-	(668,759)
At 31 December 2012	10,157,164	3,542,698	608,838	9,677,232	205,985	24,191,917	24,191,917
<b>Less: Accumulated depreciation</b>							
At 1 January 2012	7,937,035	1,748,665	635,019	4,345,045	-	14,665,764	14,665,764
Depreciation	926,203	354,979	144,786	1,031,711	-	2,457,679	2,457,679
Disposals	-	-	(347,203)	-	-	-	(347,203)
Written off	(163,070)	(9,659)	-	(195,890)	-	-	(368,619)
At 31 December 2012	8,700,168	2,093,985	432,602	5,180,866	-	16,407,621	16,407,621
<b>Carrying amounts</b>							
At 31 December 2012	1,456,996	1,448,713	176,236	4,496,366	205,985	7,784,296	7,784,296



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

## 12. Income tax

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

Deferred tax assets/(liabilities) comprise:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Provisions	1,195	4,774	1,195
Depreciation	360,444	1,439,974	127,379
Other	(51,078)	(204,057)	(128,574)
	310,561	1,240,691	-

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

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	-	-	(48,136)
Credit from profit or loss	310,561	1,240,691	48,136
Balance at end of year	310,561	1,240,691	-

## (b) Income tax liability

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	3,421,832	13,670,218	3,191,870
Current tax expense	5,209,843	20,813,323	3,977,509
Income tax paid	(3,963,365)	(15,833,643)	(3,747,547)
Balance at end of year	4,668,310	18,649,898	3,421,832

## 12. Income tax (continued)

## (c) Income tax expense

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Current tax expense	5,209,843	20,813,323	3,977,509
Deferred tax credit	(310,561)	(1,240,691)	(48,136)
	4,899,282	19,572,632	3,929,373

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 whichever is higher.

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:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	22,959,782	91,724,330	16,183,415
Income tax using statutory rate	4,591,956	18,344,865	3,236,683
Effect of non-deductible expense	307,326	1,227,767	625,832
Under provision in prior year	-	-	66,858
	4,899,282	19,572,632	3,929,373

## 13. Deposits from customers

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Current accounts	488,528,153	1,951,669,971	359,095,816
Savings deposits	214,235,747	855,871,809	206,285,657
Fixed deposits	117,030,050	467,535,050	124,329,062
	819,793,950	3,275,076,830	689,710,535

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

54 - 55

## 13. Deposits from customers (continued)

The above amounts are analysed as follows:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	732,899,660	2,927,934,141	608,572,182
2 to 3 months	43,979,655	175,698,722	30,551,066
4 to 6 months	20,993,639	83,869,588	28,032,883
7 to 12 months	21,753,946	86,907,014	22,363,971
1 to 3 years	167,050	667,365	23,933
4 to 5 years	-	-	166,500
	819,793,950	3,275,076,830	689,710,535
(b) By type of customer:			
Domestic corporations	408,408,113	1,631,590,411	303,029,694
Foreign corporations	14,628,235	58,439,799	11,876,277
Individuals	394,848,774	1,577,420,852	371,982,030
Other	1,908,828	7,625,768	2,822,534
	819,793,950	3,275,076,830	689,710,535
(c) By residency status:			
Residents	802,476,879	3,205,895,131	676,006,720
Non-residents	17,317,071	69,181,699	13,703,815
	819,793,950	3,275,076,830	689,710,535
(d) By relationship:			
Third parties	792,444,246	3,165,814,763	670,038,174
Related parties	27,349,704	109,262,067	19,672,361
	819,793,950	3,275,076,830	689,710,535
(e) By currency:			
US Dollars	790,384,649	3,157,586,673	669,031,226
Khmer Riel	25,522,426	101,962,092	15,236,600
Other	3,886,875	15,528,065	5,442,709
	819,793,950	3,275,076,830	689,710,535
(f) By interest rates (per annum):			
	2013	2012	
Savings deposits	0.40% - 1.00%	0.20% - 1.50%	
Fixed deposits	0.50% - 5.50%	0.50% - 5.50%	

## 14. Payables and other liabilities

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Employee entitlements	1,428,145	5,705,440	1,690,816
Accruals	899,678	3,594,214	631,663
Interest payable	933,569	3,729,608	841,828
Banker's cheques	418,649	1,672,501	1,533,844
Due to related parties	1,046,063	4,179,023	664,572
Other tax payable	1,621,557	6,478,120	1,254,380
Others	225,758	901,903	678,334
	6,573,419	26,260,809	7,295,437

## 15. Share capital

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Shares of US\$100 each:			
Issued and fully paid 710,000 shares	71,000,000	283,645,000	71,000,000

## 16. Interest income

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Loans and advances	31,680,029	126,561,716	28,449,219
Placements with banks	759,475	3,034,103	546,423
Placements with National Bank of Cambodia	530,667	2,120,015	354,780
	32,970,171	131,715,834	29,350,422

## 17. Interest expense

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Fixed deposits	2,875,927	11,489,328	2,721,714
Savings deposits	825,574	3,298,168	1,070,693
Current deposits	1,050,113	4,195,202	747,574
Others	-	-	21,373
	4,751,614	18,982,698	4,561,354

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

## 18. Net fee, commission income and foreign exchange earnings

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Fee and commission income:			
Trade and payment income	8,893,343	35,528,905	8,165,383
Lending fees	825,883	3,299,403	842,236
Other fees	5,374,649	21,471,723	5,607,391
	15,093,875	60,300,031	14,615,010
Fee and commission expense	(1,333,271)	(5,326,418)	(1,194,574)
Net fee and commission income	13,760,604	54,973,613	13,420,436
Foreign exchange earnings	3,915,479	15,642,339	2,700,969
	17,676,083	70,615,952	16,121,405

## 19. Operating expenses

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
(a) Personnel			
Salaries and wages	7,939,107	31,716,732	7,274,919
Performance reward scheme	2,322,877	9,279,894	1,295,250
Pension fund	309,624	1,236,948	284,164
Others	779,625	3,114,602	1,128,044
	11,351,233	45,348,176	9,982,377
(b) Premises			
Rental	1,087,881	4,346,085	970,273
Utilities and other outgoings	1,138,413	4,547,960	1,138,662
Depreciation of leasehold improvements	1,026,247	4,099,857	1,031,711
Others	202,835	810,325	222,556
	3,455,376	13,804,227	3,363,202
(c) Computer			
Data communication	529,826	2,116,655	704,474
Depreciation and amortisation	682,141	2,725,153	975,760
Computer related expenses	814,952	3,255,734	156,672
	2,026,919	8,097,542	1,836,906
(d) Other operating expenses			
Advertising	738,711	2,951,150	777,533
Depreciation of motor vehicles, furniture and equipment	456,816	1,824,980	499,765
Inter-group expenses	1,230,428	4,915,560	1,456,540
Withholding tax	904,586	3,613,821	1,702,273
Bank charges	1,488,040	5,944,720	1,629,622
Travel	422,840	1,689,246	372,531
Postage and stationery	259,687	1,037,450	208,803
Professional fees	171,786	686,285	115,855
Telephone	229,928	918,562	183,603
Freight and cartage	47,406	189,387	37,902
Non-lending losses, frauds and forgeries	118,988	475,357	30,995
Others	1,685,362	6,733,021	1,733,417
	7,754,578	30,979,539	8,748,839
	24,588,106	98,229,484	23,931,324



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

## 20. Net cash generated from operating activities

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	22,959,782	91,724,330	16,183,415
Adjustments for:			
Amortisation	22,949	91,681	49,557
Depreciation	2,142,255	8,558,309	2,457,679
Gain on disposal of equipment	-	-	(154,547)
Premises and equipment written off	4,820	19,255	300,140
(Reversal of)/allowance for doubtful debt	(1,653,248)	(6,604,726)	795,734
	23,476,558	93,788,849	19,631,978
Changes in:			
Deposits and placements with banks	47,000,000	187,765,000	(73,100,000)
Loans and advances	(60,910,669)	(243,338,123)	(30,084,610)
Statutory deposits	(11,877,325)	(47,449,913)	(2,635,272)
Other assets	(1,430,648)	(5,715,439)	1,072,534
Borrowings	-	-	(2,362,500)
Deposits from customers	128,959,685	515,193,942	115,536,139
Payables and other liabilities	(722,018)	(2,884,462)	2,700,903
Net cash generated from operations	124,495,583	497,359,854	30,759,172
Income tax paid	(3,963,365)	(15,833,643)	(3,747,547)
Net cash generated from operating activities	120,532,218	481,526,211	27,011,625

## 21. Cash and cash equivalents

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Cash and bank balances (Note 5)	218,673,985	873,602,570	166,855,956
Deposits and placements with banks (with original maturities of 3 months or less)	156,000,000	623,220,000	88,000,000
	374,673,985	1,496,822,570	254,855,956

## 22. 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:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Bank guarantees	32,489,608	129,795,984	26,373,478
Letters of credit	130,998,152	523,337,617	102,326,579
Unused portion of loans and advances	45,932,063	183,498,592	59,694,834
Foreign exchange commitments	7,243,398	28,937,375	471,796
	216,663,221	865,569,568	188,866,687

## (b) Lease commitments

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

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Within 1 year	1,344,400	5,370,878	926,571
2 to 3 years	2,402,201	9,596,793	1,312,751
4 to 5 years	608,187	2,429,707	270,811
More than 5 years	-	-	24,380
	4,354,788	17,397,378	2,534,513

## (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 2013

**23. 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) Balances with related parties**

Balances with related parties are disclosed in Notes 5, 6, 7(g), 9, 13(c) and 14.

**(c) Other related party transactions**

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

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Interest income	926,449	3,701,164	706,938
Interest expense	109,809	438,687	206,963
Rental expense	330,000	1,318,350	269,500
Purchase/transfer technology from ANZ Banking Group Limited	1,464,330	5,849,998	1,456,540

**24. 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 adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

**24. 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 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.

The Bank has established the Core Credit Risk Policy, which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Risk ratings are reviewed and updated on an annual basis, and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

**(ii) Exposure to credit risk**

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Loans and advances			
Individually impaired	13,102,456	52,344,312	15,151,154
Past due but not impaired	10,692,227	42,715,447	3,195,535
Neither past due nor impaired	398,284,809	1,591,147,812	342,082,025
	422,079,492	1,686,207,571	360,428,714
Allowance for bad and doubtful loans and advances	(10,193,682)	(40,723,760)	(11,869,051)
	411,885,810	1,645,483,811	348,559,663

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

62 - 63

**24. 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.

**24. 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:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Against individually impaired:			
Land	25,409,176	101,509,658	25,866,474
Buildings	2,122,814	8,480,642	2,602,896
Past due but not impaired:			
Land	223,640	893,442	478,610
Buildings	107,700	430,262	89,292
	27,863,330	111,314,004	29,037,272

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 7 to the financial statements.

**(c) Market risk**

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

Market risk arising from 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 2013, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

**(ii) Interest rate risk**

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

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

64-65

## 24. Financial risk management (continued)

## (c) Market risk (continued)

## (ii) Interest rate risk (continued)

31 December 2013	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	%
<b>Assets</b>									
Cash and bank balances	4,415	-	-	-	-	-	214,259	218,674	-
Deposits and placements with banks	151,000	51,100	-	-	-	-	-	202,100	0.56%
Loans and advances	49,216	109,474	59,422	39,706	96,090	68,171	-	422,079	8.13%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(10,194)	(10,194)	-
- Interest in-suspense	-	-	-	-	-	-	(6,952)	(6,952)	-
- Unearned income	-	-	-	-	-	-	(632)	(632)	-
Statutory deposits	-	-	-	-	-	41,660	64,944	106,604	0.10%
Other assets	-	-	-	-	-	-	3,911	3,911	-
	204,631	160,574	59,422	39,706	96,690	109,831	265,336	935,590	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	52	52	-
Deposits from customers	244,372	43,980	20,994	21,754	167	-	488,527	819,794	-
Payables and other liabilities	-	-	-	-	-	-	6,800	6,800	-
	244,372	43,980	20,994	21,754	167	-	495,379	826,646	
Maturity gap	(39,741)	116,594	38,428	17,952	96,523	109,831	(230,043)	108,944	

## 24. 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	%
<b>Assets</b>									
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	
<b>Liabilities</b>									
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	

*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 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 2013

## 24. Financial risk management (continued)

## (d) Liquidity risk

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

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

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

31 December 2013	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities</b>							
Deposits from other banks	-	-	-	-	-	52	52
Deposits from customers	732,899	43,980	42,748	167	-	-	819,794
Payables and other liabilities	-	-	-	-	-	6,800	6,800
<b>Total</b>	732,899	43,980	42,748	167	-	6,852	826,646

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
<b>Financial liabilities</b>							
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
<b>Total</b>	608,573	30,551	50,397	190	-	8,471	698,182

## 24. 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 requirements 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.

## 25. Fair values of financial assets and liabilities

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

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

## SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2013

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

No.	Other Ratios	Formula by NBC		2013		2012	
				Calculation (in figure)		Ratio	
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
<b>CAPITAL</b>							
1	Equity to total assets	Equity	Total assets	115,236,411	946,323,656	12.18%	12.10%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	109,435,151	946,323,656	11.56%	11.54%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	109,435,151	599,677,821	18.25%	20.57%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	113,491,729	599,677,821	18.93%	21.35%
5	Net worth to total assets	Net worth	Total assets	113,491,729	946,323,656	11.99%	11.97%
6	Solvency ratio	Net worth	Risk weighted assets	113,491,729	599,677,821	18.93%	21.35%
7	Debts to total assets	Total liabilities	Total assets	835,143,823	946,323,656	88.25%	87.90%
8	Debt to equity	Total liabilities	Equity	835,143,823	115,236,411	724.72%	726.26%
9	Dividend to net profit	Dividend	Net profit	-	18,060,500	-	16.32%
<b>ASSET QUALITY</b>							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	4,056,578	422,079,492	0.96%	0.97%
11	Banking reserve to total assets	Banking reserves	Total assets	4,056,578	946,323,656	0.43%	0.44%
12	NPL to total loans	NPL	Total loans (gross)	13,102,456	422,079,492	3.10%	4.20%
13	NPL to total assets	NPL	Total assets	13,102,456	946,323,656	1.38%	1.90%
14	Classified assets to total loans	Classified assets	Total loans (gross)	13,102,456	422,079,492	3.10%	4.20%
15	Classified assets to total assets	Classified assets	Total assets	13,102,456	946,323,656	1.38%	1.90%
16	Classified assets to equity	Classified assets	Equity	13,102,456	115,236,411	11.37%	15.68%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	1,730,003	422,079,492	0.41%	0.27%
18	Large exposure to total loans	Large exposure	Total loans (gross)	203,835,620	422,079,492	48.29%	47.52%
19	Loan to related parties to net worth	Loan to related parties	Net worth	1,730,003	113,491,729	1.52%	1.03%
20	Large exposure to net worth	Large exposure	Net worth	203,835,620	113,491,729	179.60%	179.21%
21	General provision to total loans	General provision	Total loans (gross)	4,056,578	422,079,492	0.96%	0.97%
22	Specific provision to total loans	Specific provision	Total loans (gross)	6,137,106	422,079,492	1.45%	2.33%
23	Specific provision to NPL	Specific provision	NPL	6,137,106	13,102,456	46.84%	55.33%
24	All allowances to total assets	Total all allowances	Total assets	10,193,684	946,323,656	1.08%	1.49%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	422,079,492	819,845,516	51.48%	52.17%

No.	Other Ratios	Formula by NBC		2013		2012	
				Calculation (in figure)		Ratio	
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
<b>EARNINGS</b>							
26	Return on assets	Net profit	Total assets	18,060,500	946,323,656	1.91%	1.54%
27	Return on equity	Net profit	Equity	18,060,500	115,236,411	15.67%	12.68%
28	Gross yield	Interest income	Total assets	32,970,171	946,323,656	3.48%	3.68%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	28,218,557	946,323,656	2.98%	3.11%
30	Other income to total assets	Other incomes	Total assets	19,009,354	946,323,656	2.01%	2.17%
31	Provision to total assets	Provisions	Total assets	10,193,684	946,323,656	1.08%	1.49%
32	Overhead to total assets	Non-interest expenses	Total assets	25,921,377	946,323,656	2.74%	3.15%
33	Net income before tax to total assets	Net income before tax	Total assets	22,959,782	946,323,656	2.43%	2.03%
34	Taxes to total assets	Taxes	Total assets	4,899,282	946,323,656	0.52%	-0.49%
35	Interest margin to gross income	Interest income – Interest expense	Gross income	28,218,557	51,979,525	54.29%	53.12%
36	Non-interest income to gross income	Non-interest income	Gross income	19,009,354	51,979,525	36.57%	37.11%
37	Non-interest expense to gross income	Non-interest expense	Gross income	25,921,377	51,979,525	49.87%	53.84%
38	Times interest earned	Profit before tax + interest expense	Interest expense	27,711,396	4,751,614	5.83 times	4.55 times
<b>LIQUIDITY</b>							
39	Liquid asset	Liquid asset	Total assets	420,773,985	946,323,656	44.46%	43.59%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	835,143,823	946,323,656	88.25%	87.90%
41	Net liquid assets	Liquid assets – short-term liabilities	Total liabilities	(414,369,838)	835,143,823	-49.62%	-50.41%
42	Quick ratio	Quick assets*	Current liabilities	420,773,985	835,143,823	50.38%	49.59%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	819,845,516	422,079,492	194.24%	191.68%

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



