



Our Performance

We are pleased to report that ANZ Royal Bank's net profit after tax in 2011 was \$11.9 million, up 48% on the same period last year.

This result was driven by healthy revenue growth of 18%, with good performances across the board from our Retail, Institutional, and Commercial businesses. Particular standouts were our Global Markets and our Trade businesses, which had remarkably strong revenue growth off the back of Cambodia's growing linkages with the global economy.

Our expenses were well managed, to be up 4% over the year, as we focused our investment on areas where ANZ Royal can achieve an enduring competitive advantage, while reducing investment in non-core areas.

This combination of strong revenue growth and careful cost management resulted in growth in Profits before provisions, a useful measure of underlying performance, of 46%. Over the last four years, profits before provisions have grown 655%, reflecting the strong performance of ANZ Royal over this period.

ANZ Royal also performed well in a number of non-financial measures. During 2011, ANZ Royal was recognised by the The Banker magazine, which awarded ANZ Royal "Bank of the Year" for Cambodia.

ANZ Royal's commitment to staff development and creating a high performance culture was also recognised during the year as part of ANZ Group's yearly employee engagement survey. In 2011, ANZ Royal had the highest level of staff engagement of any ANZ country in Asia.



Competitive environment

The Cambodian Banking sector continues to strengthen under the guidance of the National Bank of Cambodia, a strong and effective regulator.

We have seen new entrants come into the banking market, while the rebound in the economy has helped to strengthen the balance sheets of existing banks. Capital ratios and Liquidity ratios across the industry are high, and this has made the market more competitive, particularly for lending.

Outlook

In 2011, the Cambodian economy continued to perform strongly, with GDP growth of around 7%, despite the impact of severe flooding in the second half of the year.

The IMF has upgraded Cambodia's growth potential to the range of 7%-8%, and assuming a relatively stable global environment, we believe that GDP growth in 2012 will approach the top end of this range. This will once again be one of the highest growth rates in Asia.

Underpinning this growth is significant investment in manufacturing, which is moving from basic cut and trim garments, to more sophisticated light manufacturing, a rebound in the agricultural sector following the floods of 2011, and improving infrastructure.

At the same time, we expect the rate of inflation to be relatively moderate at around 5%.

This macro-economic environment should provide attractive opportunities for our customers, and in turn for ANZ Royal.

ANZ Royal has a clear direction and our results in 2011 demonstrate the progress we are making in delivering value and performance for our shareholders, our customers and the community.

These results also reflect the ongoing commitment and dedication of our management team and the entire staff of ANZ Royal and we would like to take this opportunity to thank them for their efforts during the year.



THE BANK WITH THE STRONGEST GLOBAL NETWORK IN CAMBODIA



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 2011:

Convenience

- At selected Branches we have extended our Branch opening hours to include Saturday mornings
- In what is a first for the Cambodian market we have introduced Mobile Lending Managers. This team is on call seven days a week
- We have increased staff levels in our Premier Lounges enabling our staff to spend more time visiting customers at their home or place of work
- Our Contact Centre has recently been expanded to assist our commercial clients as well as continuing to provide retail customers with the very best levels of service

Superior Customer Service

- We continue to attract the best and brightest recruits in the banking sector and spend significantly more money on training per full time staff member than any other bank in Cambodia. This investment in staff training means we deliver the best service to our customers.
- Each piece of customer feedback received is reviewed by senior management. We aim to solve every complaint in a timely manner and to learn from our customer's feedback to better improve our service

Connectivity

- ANZ has developed a Regional centre of excellence in Singapore for Wealth and Risk products. Our aim is to assist Cambodian affluent clients with their wealth creation goals by introducing them to our experts in Singapore
- ANZ Royal prides itself on being an inter-connected team that is focused on identifying a customer's need to help place them with the right expert.

What We Do

Retail Banking is responsible for serving personal and business customers through our network of 18 branches (including four Premier Branches), 125 ATMs, 650 Point of Sale terminals, internet banking, a twenty-four hour Call Centre and mobile lending team.

Our Products and Services include:

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

2011 Achievements

- Total Revenue Growth 19% while Expense Growth was just 3%
- Grew Deposit Balance by 26%
- Increased Home Loans by 56%
- Introduced a new Premier Package for our Affluent clients
- Launched Mobile Lending Management team (14 Managers across Cambodia)
- Relocated a number of ATMs to more convenient locations

Our Goals for 2012

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

- Improved queue times
- Excellence in service to our Affluent clients
- Convenience and expertise to our Lending clients
- Connectivity within the ANZR Bank and throughout Asia and Australasia
- Developing the best Bankers in Cambodia

Additionally, we will continue to invest further in our staff development programs to help promote our talent within Cambodia and other parts of ANZ's global network.



Our Business Customers

Our goal is to have a deep understanding of our customer's business needs and strategic objectives so that we can provide relevant and competitive products and services.

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

Our diverse client base includes small and medium businesses, large local corporations, regional and multinational corporations, diplomatic corps, financial institutions, domestic and foreign Government bodies, NGO's and multilateral agencies.

2011 Achievements

Highlights for Corporate & Institutional Banking during 2011 included:

- Execution of cross border transactions to facilitate specific customer financing needs off-shore
- Greater expansion of our Financial markets capabilities including execution of Forward Exchange Contracts and Interest Rate Swaps
- A 60% increase in the number of customers using our Payments & Cash Management / Trade Services online platform
- Through our global network, we were able to provide unique solutions to a number of companies, both domestic and foreign, including offshore financing, exotic currency payments and structured trade deals.

What we offer

Our value proposition is to provide world class service to our business customers, through dedicated relationship management teams. Our relationship managers, together with product specialists, have developed a depth of industry and economic knowledge to

ensure they understand and anticipate the business issues our clients face day to day, in order to tailor solutions to help our customers achieve their business goals.

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

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

Our Goals for 2012

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





As a responsible corporate citizen, ANZ Group has a very strong commitment to our social and environmental responsibilities, and to the communities in which we live. Reflecting this, ANZ was voted the Number 1 bank globally for four years in a row on the Dow Jones Banking Sustainability Index.

At ANZ Royal we truly believe in living our values; Integrity, Collaboration, Accountability, Respect and Excellence. We believe our values form the underlying foundations which guide our actions and the decisions we make day to day in our business.

In 2011 ANZ Royal celebrated its sixth anniversary of operations in Cambodia. Throughout these initial six years, the staff at ANZ Royal have shown tremendous commitment and energy towards growing the business, as together we have built the leading international bank in Cambodia.

Throughout our busy careers it is important 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 2011 ANZ Royal provided over USD120,000.00 in financial support to local charities. In addition our staff contributed in excess of 6,000 hours of volunteer community service in partnership with 35 different organisations providing support to vulnerable Cambodians. This is quite an extraordinary achievement, reflecting a genuine and honest commitment to supporting the community in which we live.

ANZ Royal is extremely proud of our community support program. Seeing the passion our staff have for volunteering to assist those in our community who need assistance most, is one of the most rewarding aspects of working at ANZ Royal.

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

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

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

Achievements in 2011:

"Exporting" talent has been a major highlight of 2011. Thanks to the quality of our Learning and Development agenda, the profile of our people was lifted and recognized. Four of our staff members were presented with the opportunity to work overseas as expatriate professional bankers.

At ANZ Royal we differentiate ourselves through the commitment we show on staff development. In 2011, we invested USD 400,000.00 in staff development to uplift our staff's personal and professional capabilities. Developing the next generation of leaders is critical for our future success; therefore leadership training continues to be a priority of ANZ Royal.

Development opportunities are not limited to Cambodian borders. During this year we sent more than 40 of our people to training and secondment opportunities overseas to learn and get exposure to new ways of thinking, enriching their personal and professional experience and returning with a renewed confidence to contribute and lead ANZ Royal into the future.

As a service orientated business, a key aspect for the success of ANZ Royal Bank 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 recognize risks, but how to monitor and control them. This awareness continues through ongoing programmes, targeted training and as a component of staff performance reviews.

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

There are dedicated teams which actively monitor, assess and control risk throughout the business. Oversight of risk activities are 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 are as follows:

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

ANZ Royal Bank 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.

2011 has seen slowness in the recovery of the world economy following the Global Financial Crisis. In Cambodia we continue to adopt strict lending criteria and focus our support for businesses that are transparent, well managed and able to adapt to the changing and challenging global market. We constantly manage our portfolios and where we believe there is an increase in the risk we take early steps to manage these relationships.

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

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

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

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

Appropriate policies to deal with operational risk are in place.

These include the instigation of a 'first line of defence' policy, where in business risk forums are regularly held in each business / enablement function to recognise and mitigate operational risks and to reinforce the bank's philosophy that 'risk is everyone's responsibility'. In addition there is a dedicated operational risk team that oversees the business risk forums and regularly carries out Quality assurance testing in all units.



Mark Timothy Robison

Chairman and Director

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

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

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

Neak Okhna Kith Meng

Director

Neak Okhna 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.

Okhna Kith Thieng

Director

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

Thuy Bich Dam

Director

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

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

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

Nigel Denby

Director

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

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

He graduated from Exeter University in England, with honours in Economics in 1983.

Mark Hanna

Director

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

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

Alistair Marshall Bulloch

Director

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

Alistair has more than 20 years 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.



• From left to right front: David Parrott, Chenda Khak,....., Stephen Higgins
Pok Pheakdey,, Nigel Piper

• From left to right back: Deline Sieng, Dith Sochal, Rohan George, Guanghui Chim, David Marshall



Stephen Higgins
Chief Executive Officer

Stephen Higgins joined ANZ Royal Bank as CEO in May 2008. Stephen has been with ANZ Group for over 18 years, and is also currently Chairman of ANZ Laos. Previous roles include Head of Investor Relations for ANZ Group, where he built the most highly regarded Investor Relations team in Australasia, with ANZ winning Best Investor Relations three years running based on voting by fund managers. As part of the Investor Relations role, Stephen worked extensively with all major parts of ANZ, including the Asia business. Prior to working in Investor Relations, Stephen worked in a relationship role in Corporate Banking and a range of roles in Esanda Finance, ANZ's asset finance subsidiary.

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

David Marshall
Head of Corporate & Institutional Banking Relationships

David Marshall joined ANZ Royal in May 2005 and currently leads Corporate & Institutional Banking team which covers relationship banking for ANZ Royal's top tiered corporate clients. He has over 14 years of banking experience within Cambodia, Canada and Singapore across a range of different businesses including Retail, Wealth Management, Operations and project management.

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

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

David Parrott
Head of Retail Banking

David (Dave) joined ANZ Royal in May 2011 and is responsible for the overall retail operation covering our network of 18 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 S.E. Asia, Dave brings extensive world wide banking experience to ANZR.

Guanghui Chim
Chief Operating Officer

Guanghui (Hui) has been with ANZ Royal for five years and is the bank's first Cambodian Chief Operating Officer. The Chief Operating Officer role encompasses Retail Operations, Institutional Operations, Lending Operations, Information Technology, Operational Excellence, Internal Audit, and Property and Procurement.

Prior to the Chief Operating Officer role Hui was the Service Quality Manager for Retail Banking over a period of four years. Prior to joining ANZ Royal Bank he spent six years with British American Tobacco in various management roles and two years with local corporates as a consultant.

Guanghui holds a Bachelor of Education from the Institute of Foreign Languages, Royal University of Phnom Penh, a Master of Arts in East Asian Languages and Cultures from the University of Kansas, USA where he was on a Fulbright scholarship, and a certificate in Chinese language from Nankai University, Tianjin, China.

Dith Sochal
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 PricewaterCoopers 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.

Pok Pheakdey
Head of Finance

Pheakdey joined ANZ Royal in May 2008 as Finance Manager and was appointed Head of Finance in April 2010. She is responsible for reporting the overall financial performance and position of the Bank, incorporating the strategic direction in business performance projections, as well as ensuring the Bank's compliance with accounting policies, and Cambodia 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 post-graduate from the ACCA (the Association of Chartered Certified Accountants).



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 provide 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 Bank 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, Schrodgers. Prior to joining ANZ Royal, Rohan was with Westpac Bank as Treasurer - PNG & Pacific Island Nations for 8 years.

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

Chenda Khak
Head of Human Resources

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

Prior to joining ANZ Royal, Chenda spent 4 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 news casting for a local TV station in Phnom Penh.

She holds a Bachelor of Arts Degree in Sociology and a Bachelor of Education Degree in English Language, both from the Royal University of Phnom Penh. In addition, Chenda was awarded a two-year Japanese Government Funded Scholarship where she earned her Masters 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 9 years of legal teaching experience at several universities in Phnom Penh, including the Centre for Banking Studies, Royal University of Law and Economics, Build Bright University and the University of Cambodia.

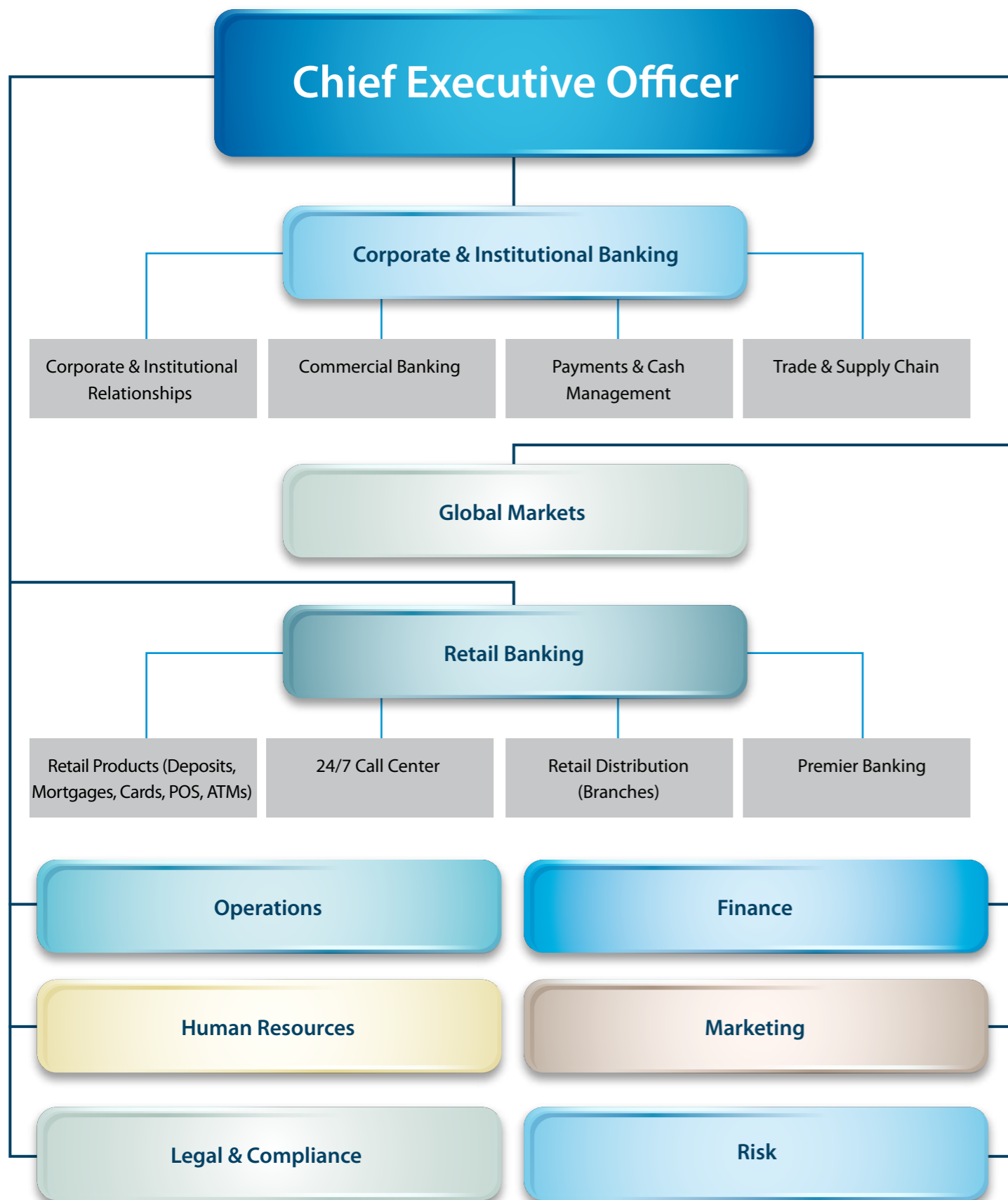
Deline holds two Bachelors of law: one from the Royal University of Law and Economics in Cambodia and one from the Université Lumière Lyon 2 in France through a long-distance study program. From the later university, Deline also holds a "Maîtrise" in Private Law and a Master in Public Administration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

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

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

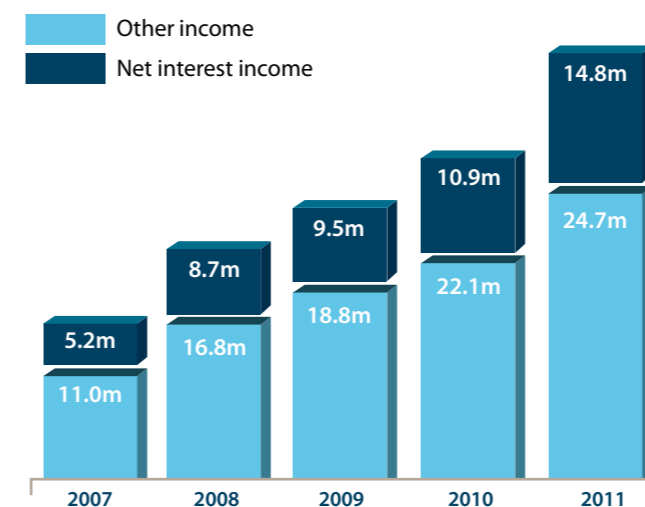
John undertook his graduate studies at University of New South Wales - Australia and is currently completing a Masters in Science in Economic Development from RMIT University in Melbourne Australia. John sits on the boards of several organisations, both private sector and civil society in Cambodia.



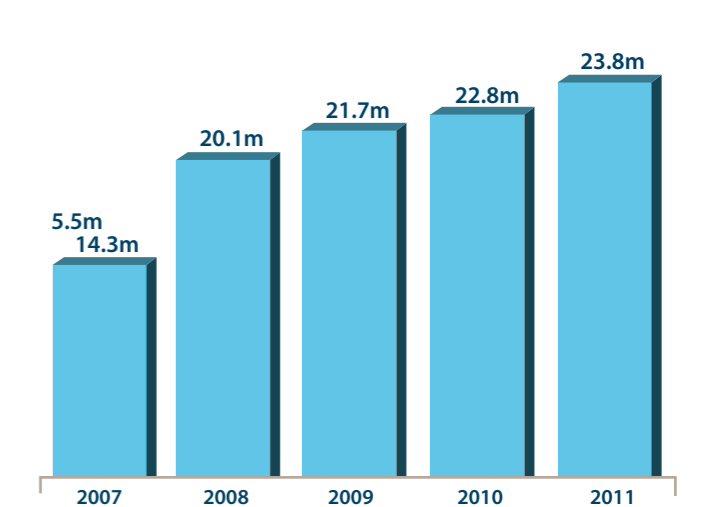
Financial Highlights

Overview of Financial Performance	2011	2010	Movt
	\$m	\$m	%
Net interest income	24.7	23.3	6%
Other operating income	14.8	10.3	45%
Operating income	39.5	33.6	18%
Operating expenses	- 23.8	- 22.8	4%
Profit Provision before credit impairment and income tax	15.7	10.8	46%
Provision for credit impairment	- 0.6	- 0.7	-7%
Profit before income tax	15.1	- 10.1	50%
Income tax expense	- 3.2	- 2.0	58%
Profit attributable to shareholders of the company	11.9	8.1	48%

Total Revenue 2007-2011 (USD millions)



Total Operating Expenses 2007 - 2011 (USD millions)

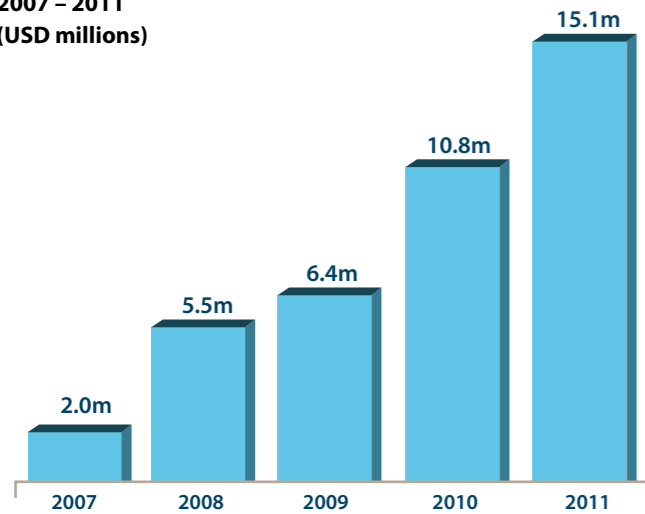


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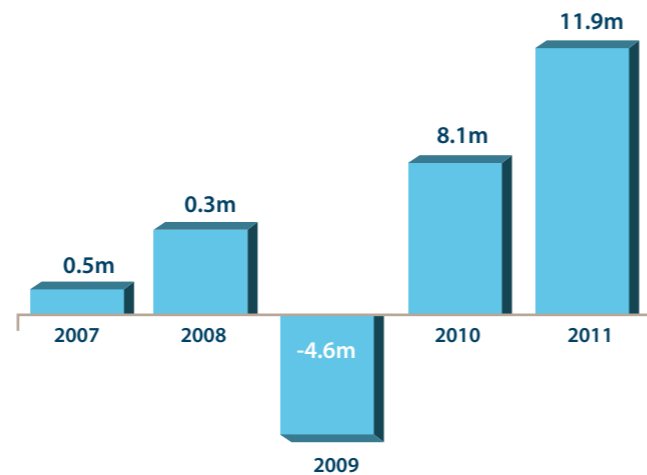
Profit before Provisions & Tax 2007 – 2011
(USD millions)



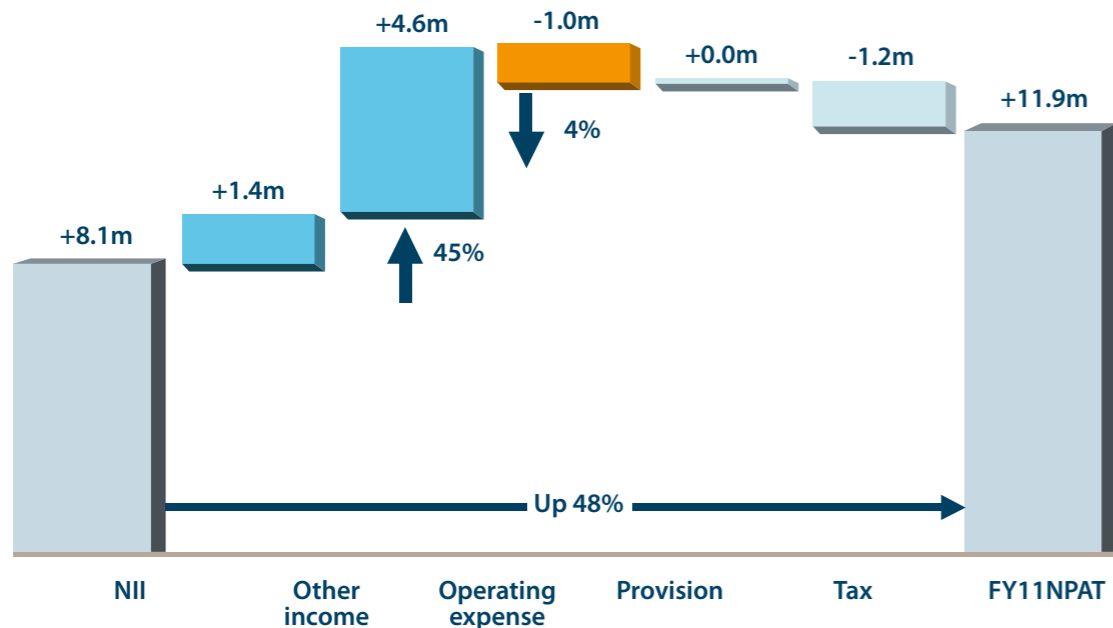
This combination of strong revenue growth and careful cost management resulted in growth in profits before provisions, a useful measure of underlying performance, of 46%. Over the last four years, profits before provisions have grown 655%, reflecting the strong performance of ANZ Royal over this period.

Provision charges decreased 7% reflecting YOY improvement in the general quality of the loan portfolio. In summary, our financial strength will provide us a strong position against our goal to becoming the best bank in Cambodia.

Profit after Provisions & Tax 2007 – 2011
(USD millions)



2011 Full Year



Balance sheet, capital and funding

ANZ Royal remains strongly capitalised with a Solvency Ratio of 22.96%, illustrating a solid foundation for growth and stability.

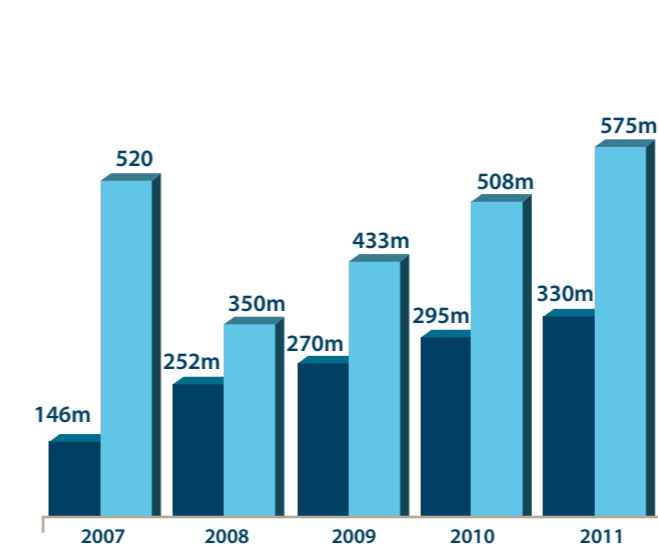
Deposit Liabilities

Our deposits grew by 13% in 2011 to \$575m (2010: \$508m) reflecting our commitment to excellent services and convenient products offered to our customer. Our strategy is to continually improve the composition of deposits in line with reduction in cost of funds.

Provision for Credit Impairment

Credit quality has improved throughout the year. ANZ Royal's provision remained stable YOY and we continue to take prudent approach to on these impaired assets. Non Performing Loan ratio (over total loans) was 3.67% (2010: 4.87%). Realised losses on these Impaired assets are expected to be minimal.

Balance Sheet Growth 2007 – 2011
(USD millions)



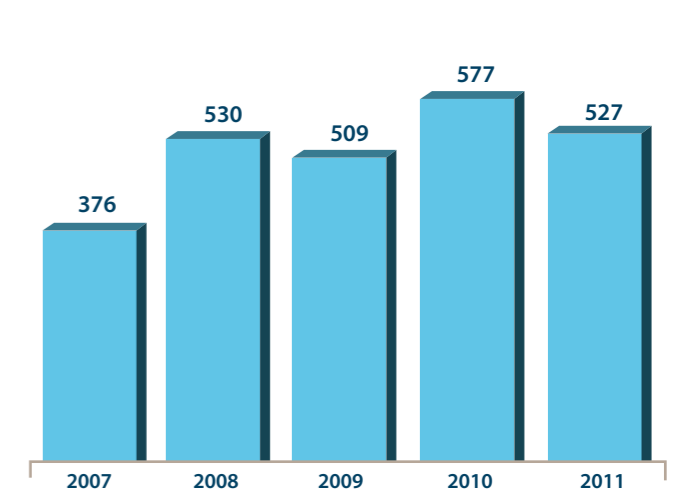
Lending Assets

Our lending assets comprise of loans made to businesses, large corporations, commercial and individuals (home loans & credit cards).

Gross lending assets increased 12% to \$330m (2010: \$295m), \$275m in Institutional Banking and \$55m under Retail and Wealth Banking. The Institutional business and Consumer lending led the loan growth despite the price competition through focuses on growing share of ANZ Royal's capabilities of Markets, Trade Finance, Cash Management and Affluent banking. Where loans exceed the maximum allowed under the NBC large exposure rules, part or all of the loan may be booked with ANZ in other jurisdictions.

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

Staff Numbers – FTE 2007 – 2011



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

Bank	ANZ Royal Bank (Cambodia) Ltd
Registration No.	Co. 2135E/2004
Registered office	20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia.
Shareholders	ANZ Funds Pty Ltd. Royal Group Finance Co., Ltd.
Directors	Neak Oknha Kith Meng Oknha Kith Thieng Mark Timothy Robinson Nigel Christopher William Denby William Mark Hanna Thuy Bich Dam Alistair Marshall Bulloch
Management team	Stephen Higgins , Chief Executive Officer Chim Guang Hui , Chief Operating Officer Pok Pheakdey , Head of Finance Nigel Piper , Chief Risk Officer (appointed on 1 November 2011) Sieng Deline , Head of Legal and Compliance Khak Chenda , Head of Human Resources David James Parrott , Head of Retail Banking Dith Sochal , Head of Commercial Banking David Sok Dara Marshall , Head of Corporate & Institutional Banking Chris Harris , Chief Risk Officer (resigned on 1 January 2012)
Auditor	KPMG Cambodia Ltd

The Directors have pleasure in submitting their report together with the audited financial statements of ANZ Royal Bank (Cambodia) Ltd ("the Bank") for the year ended 31 December 2011.

Principal activities

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

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

Financial results

The financial results of the Bank for the year ended 31 December 2011 were as follows:

	US\$
Profit before income tax	15,074,368
Income tax expense	(3,157,138)
Net profit for the year	<u>11,917,230</u>

Dividends

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

Share capital

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

Reserves and provisions

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

Bad and doubtful loans and advances

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad

loans and advances, or the amount of allowance for doubtful loans and advances in the financial statements of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets, other than loans and advances, 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 a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

Directors

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

Neak Oknha Kith Meng
Oknha Kith Thieng
Mark Timothy Robinson
Nigel Christopher William Denby
William Mark Hanna
Thuy Bich Dam
Alistair Marshall Bulloch

Directors' interests

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

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling 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 2011, and its financial performance, change in equity and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

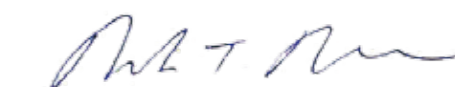
- comply with International Financial Reporting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- 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
- control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

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



William Mark Hanna
Director



Mark Timothy Robinson
Director

Date: 31 March 2012

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

We have audited the accompanying financial statements of ANZ Royal Bank (Cambodia) Ltd (“the Bank”), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and 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 to

Management’s responsibility for the financial statements

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

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ANZ Royal Bank (Cambodia) Ltd as at 31 December 2011 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

We draw attention to Note 4 to the financial statements. The accompanying financial statements as at 31 December 2011 and for the year then ended have been translated into Khmer Riel solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements. The method of translation is specified by NBC and does not comply with International Financial Reporting Standards. We have reviewed the KHR equivalents and found them to be accurately translated, on the basis described in Note 4 to the financial statements.

For KPMG Cambodia Ltd



Phnom Penh
12 March 2012

	Note	2011		2010
		US\$	KHR’000 (Note 4)	US\$
Assets				
Cash and bank balances	5	94,711,947	382,541,554	128,545,265
Deposits and placements with banks	6	155,176,637	626,758,436	99,000,000
Net loans and advances	7	312,448,734	1,261,980,437	277,822,708
Regulatory deposits	8	92,091,743	371,958,550	71,838,930
Other assets	10	23,470,825	94,798,662	8,916,288
Intangible assets	11	40,821	164,876	137,073
Premises and equipment	12	10,389,679	41,963,913	12,805,962
Total assets		688,330,386	2,780,166,428	599,066,226
Liabilities				
Deposits from other banks		127,991	516,956	122,232
Deposits from customers	13	575,221,701	2,323,320,450	507,597,082
Borrowings	14	2,362,500	9,542,138	6,312,500
Income tax liability	9	3,191,870	12,891,963	366,649
Payables and other liabilities	15	24,512,897	99,007,590	13,363,516
Deferred tax liabilities, net	9	48,136	194,421	356,186
Total liabilities		605,465,095	2,445,473,518	528,118,165
Net assets		82,865,291	334,692,910	70,948,061
Shareholders’ equity				
Share capital	16	71,000,000	286,769,000	71,000,000
Retained earnings/(accumulated losses)		11,865,291	47,923,910	(51,939)
Total shareholders’ equity		82,865,291	334,692,910	70,948,061

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	2011		2010
		US\$	KHR'000 (Note 4)	US\$
Interest income	17	29,453,990	118,964,666	29,522,789
Interest expense	18	(4,745,917)	(19,168,759)	(6,207,207)
Net interest income		24,708,073	99,795,907	23,315,582
Net fee and commission income	19	14,841,423	59,944,507	10,256,177
Operating income		39,549,496	159,740,414	33,571,759
Operating expenses	20	(23,825,962)	(96,233,061)	(22,817,416)
Profit before doubtful debt provision and income tax		15,723,534	63,507,353	10,754,343
Provision for doubtful debt	7	(649,166)	(2,621,981)	(695,695)
Profit before income tax		15,074,368	60,885,372	10,058,648
Income tax expense	9	(3,157,138)	(12,751,680)	(1,999,965)
Net profit for the year/total comprehensive income for the year		11,917,230	48,133,692	8,058,683

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share Capital	(Accumulated losses)/ Retained earnings	Total
	US\$	US\$	US\$
Balance at 1 January 2010	71,000,000	(8,110,622)	62,889,378
Net profit for the year	-	8,058,683	8,058,683
Balance as at 31 December 2010	71,000,000	(51,939)	70,948,061
Net profit for the year	-	11,917,230	11,917,230
Balance as at 31 December 2011	71,000,000	11,865,291	82,865,291
(KHR'000 equivalents) (Note 4)	286,769,000	47,923,910	334,692,910

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

	Note	2011		2010
		US\$	KHR'000 (Note 4)	US\$
Cash flows from operating activities				
Net cash generated from operating activities	21	22,662,968	91,535,728	35,140,399
Cash flows from investing activities				
Premises and equipment purchased		(388,831)	(1,570,488)	(710,181)
Intangible asset purchased		-	-	(74,132)
Proceeds from disposal of premises and equipment		69,182	279,426	92,859
Net cash used in investing activities		(319,649)	(1,291,062)	(691,454)
Net increase in cash and cash equivalents		22,343,319	90,244,666	34,448,945
Cash and cash equivalents at beginning of year		207,545,265	838,275,325	173,096,320
Cash and cash equivalents at end of year	22	229,888,584	928,519,991	207,545,265

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

1. Reporting entity

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

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

The Bank had 527 (2010: 577) employees as at 31 December 2011.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements. The financial statements of the Bank were authorised for issue by the Board of Directors on 31 March 2012.

(b) Basis of measurement

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

(c) Comparatives

Certain amounts in the comparative information have been reclassified to conform with current year financial statement presentation.

(d) Functional and presentation currency

The Bank transacts its business and maintains its accounting records in United States Dollars ("US\$"). Management have determined the US\$ to be the Bank's currency for measurement and presentation purposes 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 profit or loss.

(e) Use of estimates and judgements

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

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

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

3. Significant accounting policies

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

(a) Financial instruments

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

(b) Cash and cash equivalents

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

(c) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

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

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

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

(d) Impairment of loans and advances

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

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

The impairment calculation is made individually for assets that are individually significant, and on a collective basis for exposures with similar risk characteristics. Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data. The estimated impairment losses are measured as the difference between the carrying amount of loans and advances and the estimated future cash flows discounted to their present value.

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

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

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

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

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

(e) Interest in suspense

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

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

(f) Leases

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

(g) Intangible assets

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

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

(h) Premises and equipment

(i) Recognition and measurement

Premises and equipment are carried at cost less accumulated

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

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

(i) Impairment of assets

(i) Financial assets

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

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

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

All impairment losses are recognised in profit or loss.

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

(ii) Non-financial assets

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

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

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

(j) Provisions

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

(k) Deposits from customers and banks

Deposits from customers and banks are stated at placement value.

(l) Income recognition

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

Fee and commissions received that are integral to the effective interest rate of a financial assets are recognised using the effective interest rate 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.

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

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

(m) Interest expense

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

(n) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(o) 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.

(p) Employee benefits

(i) Unutilised annual leave

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

(ii) Defined contribution plan

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

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

(q) Related parties

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or

corporate entities and include close family members of any individual considered to be a related party.

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

(r) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations to existing standards have been published, but are not yet effective for the year ended 31 December 2011. These will have no significant effect on the Bank's financial statements.

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in the United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official average exchange rate of US\$1 to KHR4,039 published by the NBC on 31 December 2011. 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.

5. Cash and bank balances

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
In Cambodia:			
Cash on hand	32,148,616	129,848,260	25,976,607
Cash at banks			
National Bank of Cambodia	60,851,659	245,779,851	50,494,484
Other banks	5,847,230	23,616,962	2,315,750
	98,847,505	399,245,073	78,786,841
Outside Cambodia:			
Cash at banks			
Related parties	(230,944)	(932,783)	283,345
Others	(3,904,614)	(15,770,736)	49,475,079
	(4,135,558)	(16,703,519)	49,758,424
	94,711,947	382,541,554	128,545,265

The above amounts are analysed as follows:

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(a) By currency:			
US Dollars	86,423,317	349,063,777	101,066,909
Khmer Riel	6,551,923	26,463,217	7,530,094
Other	1,736,707	7,014,560	19,948,262
	94,711,947	382,541,554	128,545,265

(b) By interest rates (per annum):

	2011	2010
Related parties	0% - 3.25%	0% - 3.25%
Other	0% - 3.25%	0% - 3.25%

6. Deposits and placements with banks

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
In Cambodia:			
National Bank of Cambodia	87,000,000	351,393,000	79,000,000
Malayan Banking Berhad - Phnom Penh Branch	20,000,000	80,700,000	-
Outside Cambodia:			
ANZ Singapore	48,176,637	194,585,436	20,000,000
	155,176,637	626,758,436	99,000,000

The above amounts are analysed as follows:

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	59,176,637	239,014,436	30,000,000
2 to 3 months	76,000,000	306,964,000	49,000,000
6 to 12 months	20,000,000	80,780,000	20,000,000
	155,176,637	626,758,436	99,000,000
(b) By currency:			
US Dollars	152,000,000	613,928,000	99,000,000
Other	3,176,637	12,830,436	-
	155,176,637	626,758,436	99,000,000
(c) By interest rates (per annum):			

	2011	2010
National Bank of Cambodia	0.14% - 0.26%	0.11% - 0.27%
Malayan Banking Berhad - Phnom Penh Branch	1.25% - 1.75%	-
ANZ Singapore	0.10% - 1.12%	0% - 0.72%

7. Net loans and advances

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Term loans	174,434,419	704,540,618	177,576,062
Overdrafts	37,887,316	153,026,869	28,777,272
Housing loans	50,677,940	204,688,200	32,506,799
Trade finance loans	65,048,707	262,731,728	53,989,206
Leasing	-	-	403,480
Credit cards	1,914,059	7,730,884	1,331,683
	329,962,441	1,332,718,299	294,584,502
Allowance for bad and doubtful loans and advances	(11,502,150)	(46,457,184)	(12,363,481)
Interest in-suspense	(5,086,529)	(20,544,490)	(3,304,257)
Unearned income	(925,028)	(3,736,188)	(1,094,056)
	312,448,734	1,261,980,437	277,822,708

The above amounts are analysed as follows:

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	21,210,238	85,668,151	40,010,581
2 to 3 months	50,598,564	204,367,600	31,254,419
4 to 6 months	25,753,362	104,017,829	18,330,257
7 to 12 months	42,249,561	170,645,977	5,102,168
1 to 3 years	91,098,553	367,947,056	121,631,971
4 to 5 years	22,710,135	91,726,235	51,747,946
More than 5 years	76,342,028	308,345,451	26,507,160
	329,962,441	1,332,718,299	294,584,502

7. Net loans and advances (continued)

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(b) By performance:			
Standard loans			
Secured	306,719,742	1,238,841,038	273,738,099
Unsecured	496,893	2,006,951	648,305
Special mention loans			
Secured	10,528,200	42,523,400	5,895,700
Unsecured	112,324	453,677	23,910
Sub-standard loans			
Secured	1,010,727	4,082,326	1,897,464
Unsecured	2,956	11,939	-
Doubtful loans			
Secured	124,281	501,971	2,506,540
Loss loans			
Secured	10,967,318	44,296,997	9,874,484
	329,962,441	1,332,718,299	294,584,502

(c) By economic sectors:

Commercial			
Overdrafts	37,887,316	153,026,869	28,777,272
Loans	173,935,335	702,524,818	176,902,687
Trade finance loans	65,048,707	262,731,728	53,989,206
Leasing	-	-	403,480
Consumer			
Loans	51,177,024	206,704,000	33,180,174
Credit cards	1,914,059	7,730,884	1,331,683
	329,962,441	1,332,718,299	294,584,502

(d) By industry:

Services	65,966,240	266,437,643	78,995,985
Wholesale and retail	144,259,451	582,663,923	121,817,485
Consumer items	45,179,443	182,479,770	18,230,566
Real estate	7,752,866	31,313,826	21,308,036
Construction	7,524,982	30,393,402	7,244,413
Food industries	515,092	2,080,457	17,950
Manufacturing	43,109,925	174,120,987	35,526,337
Staff loans	7,911,640	31,955,114	6,713,378
Other	7,742,802	31,273,177	4,730,352
	329,962,441	1,332,718,299	294,584,502

7. Net loans and advances (continued)

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(e) By currency:			
US Dollars	329,962,441	1,332,718,299	294,584,502
(f) By residency status:			
Residents	329,962,441	1,332,718,299	294,584,502
(g) By relationship:			
Third parties	320,509,789	1,294,539,038	286,800,661
Staff loans	7,911,640	31,955,114	6,713,378
Related parties	1,541,012	6,224,147	1,070,463
	329,962,441	1,332,718,299	294,584,502
(h) By exposure:			
Large exposures	118,439,012	478,375,169	82,362,445
Non-large exposures	211,523,429	854,343,130	212,222,057
	329,962,441	1,332,718,299	294,584,502

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

(i) By interest rates (per annum):

	2011	2010
Overdrafts	7.50% - 15.40%	8.00% - 15.00%
Commercial loans	7.50% - 14.00%	Base Rate + Margin
Consumer loans	10.00% - 12.00%	10.00% - 12.00%

7. Net loans and advances (continued)

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

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
At beginning of period/year	12,363,481	49,936,100	13,553,046
Provision for doubtful debt	649,166	2,621,981	695,695
Written off	(74,345)	(300,279)	-
Unwind interest	(1,436,152)	(5,800,618)	(1,885,260)
At end of year	11,502,150	46,457,184	12,363,481

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

8. Regulatory deposits

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Regulatory deposits on:			
Minimum share capital	7,100,000	28,676,900	7,100,000
Customers' deposits	84,991,743	343,281,650	64,738,930
	92,091,743	371,958,550	71,838,930

(a) Regulatory deposit on minimum capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on bank's capital guarantee dated 15 October 2001. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at a six month fixed rate ranging from 0.09% to 0.13% per annum (2010: 0.11% to 0.18% per annum).

(b) Regulatory deposit on customers' deposits

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

9. Income tax

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

Deferred tax assets/(liabilities) comprise:

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Provisions	206,107	832,466	160,643
Depreciation	(185,449)	(749,029)	(518,170)
Other	(68,794)	(277,858)	1,341
	(48,136)	(194,421)	(356,186)

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

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	(356,186)	(1,438,635)	936,574
Credit from/(charge to) profit or loss	308,050	1,244,214	(1,292,760)
Balance at end of year	(48,136)	(194,421)	(356,186)

(b) Income tax liability

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	366,649	1,480,895	33,357
Current tax expense	3,465,188	13,995,894	707,205
Income tax paid	(639,967)	(2,584,826)	(373,913)
Balance at end of year	3,191,870	12,891,963	366,649

9. Income tax (continued)

(c) Income tax expense

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Current tax expense	3,465,188	13,995,894	707,205
Deferred tax (credit)/ expense	(308,050)	(1,244,214)	1,292,760
	3,157,138	12,751,680	1,999,965

In accordance with Cambodian law, the Bank bears corporate income tax of the profit tax at the rate of 20% of taxable profits and the minimum tax at 1% of gross revenue. The reconciliation of income taxes computed at the statutory tax rate to the current income tax expense in respect to the current period is as follows:

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	15,074,368	60,885,372	10,058,648
Income tax using statutory rate	3,014,874	12,177,076	2,011,730
Effect of non-deductible expense	247,357	999,074	245,383
Effect of temporary difference	389,324	1,572,480	-
Over-provision in prior period	(186,367)	(752,736)	-
Utilisation of tax losses carried forward	-	-	(1,549,908)
	3,465,188	13,995,894	707,205

10. Other assets

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Interest receivable			
- Related parties	180,937	730,805	6,012
- Other	64,818	261,800	12,459
Deposits and prepayments	574,993	2,322,397	931,451
Due from related parties	335,983	1,357,035	224,877
Customer's liability for acceptances	19,918,363	80,450,268	7,648,784
Other	2,395,731	9,676,357	92,705
	23,470,825	94,798,662	8,916,288

11. Intangible assets

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Computer and banking software			
Cost			
At 1 January	688,078	2,779,147	613,946
Transfers	3,327	13,438	74,132
At 31 December	691,405	2,792,585	688,078
Less: Accumulated amortisation			
At 1 January	551,005	2,225,509	425,527
Amortisation	99,579	402,200	125,478
At 31 December	650,584	2,627,709	551,005
Carrying value			
At 31 December	40,821	164,876	137,073

12. Premises and equipment

	Computers	Furniture and equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
Cost							
At 1 January 2011	10,430,213	3,468,407	1,045,383	9,855,798	441,919	25,241,720	101,951,307
Additions	-	-	-	-	388,831	388,831	1,570,488
Transfers	175,468	48,187	79,500	264,005	(570,487)	(3,327)	(13,438)
Disposals	(430,742)	-	(138,588)	(2,451)	-	(571,781)	(2,309,424)
At 31 December 2011	10,174,939	3,516,594	986,295	10,117,352	260,263	25,055,443	101,198,933
Less: Accumulated depreciation							
At 1 January 2011	7,148,478	1,394,790	586,173	3,306,317	-	12,435,758	50,228,027
Depreciation	1,174,068	353,875	183,251	1,039,156	-	2,750,350	11,108,664
Disposals	(385,511)	-	(134,405)	(428)	-	(520,344)	(2,101,671)
At 31 December 2011	7,937,035	1,748,665	635,019	4,345,045	-	14,665,764	59,235,020
Carrying value							
At 31 December 2011	2,237,904	1,767,929	351,276	5,772,307	260,263	10,389,679	41,963,913
At 31 December 2010	3,281,735	2,073,617	459,210	6,549,481	441,919	12,805,962	

13. Deposits from customers

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Current accounts	236,897,096	956,827,371	194,402,501
Savings deposits	228,887,236	924,475,546	195,747,048
Fixed deposits	109,437,369	442,017,533	117,447,533
	575,221,701	2,323,320,450	507,597,082

13. Deposits from customers (continued)

The above amounts are analysed as follows:

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within 1 month	502,135,109	2,028,123,705	437,048,089
2 to 3 months	35,679,144	144,108,063	30,890,487
4 to 6 months	20,709,745	83,646,660	20,956,625
7 to 12 months	16,697,703	67,442,022	18,701,881
	<u>575,221,701</u>	<u>2,323,320,450</u>	<u>507,597,082</u>
(b) By type of customer:			
Domestic corporations	218,027,171	880,611,744	214,094,430
Foreign corporations	16,254,859	65,653,376	15,407,429
Individuals	339,037,296	1,369,371,638	277,195,641
Other	1,902,375	7,683,692	899,582
	<u>575,221,701</u>	<u>2,323,320,450</u>	<u>507,597,082</u>
(c) By relationship:			
Third parties	551,471,033	2,227,391,502	502,022,015
Related parties	23,750,668	95,928,948	5,575,067
	<u>575,221,701</u>	<u>2,323,320,450</u>	<u>507,597,082</u>
(d) By currency:			
US Dollars	563,088,181	2,274,313,163	496,072,814
Khmer Riel	9,092,888	36,726,175	7,917,478
Other	3,040,632	12,281,112	3,606,790
	<u>575,221,701</u>	<u>2,323,320,450</u>	<u>507,597,082</u>

(e) By interest rates (per annum):

	2011	2010
Savings deposits	0.15% - 1.75%	0.15% - 0.50%
Fixed deposits	0.40% - 5.50%	0.80% - 5.50%

14. Borrowings

This represents the borrowing in United States Dollars from ANZ Singapore, a related party. Amounts are unsecured, bear interest at a rate ranging from 2.60% to 3.55% (2010: 2.60% to 3.55%) per annum, and mature on 12 March 2012.

15. Payables and other liabilities

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Employee entitlements	840,923	3,396,488	231,702
Accruals	1,636,951	6,611,645	1,945,131
Interest payable	710,412	2,869,354	646,972
Banker's cheques	140,349	566,870	709,658
Due to related parties	741,967	2,996,805	1,552,348
Other tax payable	205,499	830,010	252,295
Liability for acceptances	19,918,363	80,450,268	7,648,784
Other	318,433	1,286,150	376,626
	<u>24,512,897</u>	<u>99,007,590</u>	<u>13,363,516</u>

16. Share capital

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Shares of US\$100 each:			
Issued and fully paid 710,000 shares	71,000,000	286,769,000	71,000,000

17. Interest income

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Loans and advances	28,936,876	116,876,042	29,105,078
Placement with banks	297,940	1,203,380	11,309
National Bank of Cambodia	219,174	885,244	406,402
	<u>29,453,990</u>	<u>118,964,666</u>	<u>29,522,789</u>

18. Interest expense

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Deposits from customers	4,594,956	18,559,027	5,936,469
Other financial institutions	150,961	609,732	270,738
	4,745,917	19,168,759	6,207,207

19. Net fee and commission income

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Fee and commission income:			
Trade and payment income	6,732,098	27,190,944	4,920,952
Lending fees	904,495	3,653,255	1,013,193
Other fees	5,318,464	21,481,276	3,912,563
	12,955,057	52,325,475	9,846,708
Fee and commission expense	(1,206,012)	(4,871,082)	(1,197,134)
Net fee and commission income	11,749,045	47,454,393	8,649,574
Foreign exchange earnings	3,092,378	12,490,114	1,606,603
	14,841,423	59,944,507	10,256,177

20. Operating expenses

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(a) Personnel			
Salaries and wages	7,396,075	29,872,747	7,310,760
Performance reward scheme	1,627,256	6,572,487	1,056,105
Pension fund	246,041	993,760	253,998
Others	1,069,263	4,318,753	1,164,287
	10,338,635	41,757,747	9,785,150
(b) Premises			
Rental	995,957	4,022,670	947,770
Utilities and other outgoings	1,191,653	4,813,087	1,277,234
Depreciation of leasehold improvements	1,039,156	4,197,151	1,005,004
Others	228,946	924,713	452,260
	3,455,712	13,957,621	3,682,268

20. Operating expenses (continued)

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
(c) Computer			
Data communication	678,083	2,738,777	791,027
Depreciation and amortisation	1,273,647	5,144,261	1,953,186
Computer related expenses	763,633	3,084,313	1,096,392
	2,715,363	10,967,351	3,840,605
(d) Other operating expenses			
Advertising	729,259	2,945,477	766,082
Depreciation of motor vehicles, furniture and equipment	537,126	2,169,452	556,532
Travel	358,455	1,447,800	543,809
Postage and stationery	206,561	834,300	151,541
Professional fees	135,308	546,509	143,470
Telephone	243,313	982,741	315,109
Freight and cartage	20,450	82,598	24,700
Non-lending losses, frauds and forgeries	149,123	602,308	7,217
Inter-group expenses	1,704,325	6,883,769	1,295,167
Others	3,232,332	13,055,388	1,705,766
	7,316,252	29,550,342	5,509,393
	23,825,962	96,233,061	22,817,416

21. Cash flows from operating activities

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	15,074,368	60,885,372	10,058,648
Adjustments for:			
Depreciation	2,750,350	11,108,664	3,389,244
Amortisation	99,579	402,200	125,478
Gain on disposal of equipment	(17,745)	(71,672)	(40,965)
Equipment written off	-	-	101,798
Provision for doubtful debt	649,166	2,621,981	695,695
	18,555,718	74,946,545	14,329,898
Changes in:			
Deposits and placements with banks	-	-	(17,000,000)
Loans and advances	(35,275,192)	(142,476,500)	(24,878,601)
Regulatory deposits	(20,252,813)	(81,801,112)	(11,407,164)
Other assets	(14,554,537)	(58,785,775)	(6,451,637)
Borrowings	(3,950,000)	(15,954,050)	(1,814,062)
Deposits from customers and other banks	67,630,378	273,159,097	75,028,270
Payables and other liabilities	11,149,381	45,032,349	7,707,608
Net cash generated from operations	23,302,935	94,120,554	35,514,312
Income tax paid	(639,967)	(2,584,826)	(373,913)
Net cash generated from operating activities	22,662,968	91,535,728	35,140,399

22. Cash and cash equivalents

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Cash and bank balances (Note 5)	94,711,947	382,541,554	128,545,265
Deposits and placements with banks (with original maturities of 3 months or less)	135,176,637	545,978,437	79,000,000
	229,888,584	928,519,991	207,545,265

23. Commitments and contingencies

(a) Operations

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

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Bank guarantees	23,392,927	94,484,032	19,144,875
Letters of credit	64,287,159	259,655,835	32,233,805
Unused portion of loans and advances	39,840,328	160,915,085	35,919,165
Foreign exchange commitments	94,855,074	383,119,644	10,619,339
	222,375,488	898,174,596	97,917,184

(b) Lease commitments

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

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Within 1 year	1,094,295	4,419,858	201,415
1 to 3 years	1,692,526	6,836,113	1,013,606
4 to 5 years	375,925	1,518,361	1,616,675
More than 5 years	134,728	544,166	857,548
	3,297,474	13,318,498	3,689,244

(c) Taxation contingencies

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

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

24. Related party balances and transactions

(a) Identity of related parties

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

(b) Other related party transactions

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

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Interest income	431,991	1,744,812	93,979
Interest expense	484,324	1,956,185	678,264
Rental expense	277,200	1,119,611	160,000
Purchase/transfer technology from ANZ Banking Group Limited	1,861,572	7,518,889	1,460,385

25. 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), Credit and Risk committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and nonexecutive members and report regularly to the Board of Directors on their activities.

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

25. Financial risk management (continued)

(a) Operational risk

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

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

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

(b) Credit risk

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

(i). Management of credit risk

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

(ii). Exposure to credit risk

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Loans and advances			
Individually impaired	12,105,282	48,893,233	14,278,488
Past due but not impaired	10,640,524	42,977,077	5,919,610
Neither past due nor impaired	307,216,635	1,240,847,989	
	329,962,441	1,332,718,299	294,584,502
Allowance for doubtful loans and advances	(11,502,150)	(46,457,184)	(12,363,481)
	318,460,291	1,286,261,115	282,221,021

25. Financial risk management (continued)

(b) Credit risk (continued)

Impaired loans and advances

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

In determining the 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. Refer to separate accounting policy stated in Note 3(d).

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.

25. Financial risk management (continued)

(b) Credit risk (continued)

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

	2011		2010
	US\$	KHR'000 (Note 4)	US\$
Against individually impaired:			
Land	21,960,300	8,697,652	28,342,726
Buildings	1,276,382	5,155,307	1,852,819
Past due but not impaired:			
Land	2,365,059	9,552,473	19,066,696
Buildings	14,792	59,745	506,864
	25,616,533	103,465,177	49,769,105

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

Concentration of credit risk

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

(c) Market risk

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

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

(i) Foreign currency exchange risk

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

As of 31 December 2011, 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.

25. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

2011	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Assets									
Cash and bank balances	(4,136)	-	-	-	-	-	98,848	94,712	-
Deposits and placements with banks	59,177	76,000	-	20,000	-	-	-	155,177	0.57%
Loans and advances	21,210	50,599	25,753	42,250	113,809	76,342	-	329,963	8.88%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(11,502)	(11,502)	-
- Interest in-suspense	-	-	-	-	-	-	(5,087)	(5,087)	-
- Unearned income	-	-	-	-	-	-	(925)	(925)	-
Regulatory deposits	-	-	-	-	-	36,092	56,000	92,092	0.11%
Other assets	-	-	-	-	-	-	23,471	23,471	-
	76,251	126,599	25,753	62,250	113,809	112,434	160,805	677,901	
Liabilities									
Deposits from other banks	-	-	-	-	-	-	127	127	-
Deposits from customers	265,238	35,679	20,710	16,698	-	-	236,897	575,222	4.55%
Borrowings	1,000	1,363	-	-	-	-	-	2,363	3.08%
Income tax liability	-	-	-	-	-	-	3,192	3,192	-
Payables and other liabilities	-	-	-	-	-	-	24,513	24,513	-
	266,238	37,042	20,710	16,698	-	-	264,729	605,417	
Maturity gap	(189,987)	89,557	5,043	45,552	113,809	112,434	(103,924)	72,484	

25. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

25. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(d) Liquidity risk

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

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

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

2011	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities							
Deposits from other banks	-	-	-	-	-	127	127
Deposits from customers	502,135	35,679	37,408	-	-	-	575,222
Borrowings	1,000	1,363	-	-	-	-	2,363
Income tax liability	-	-	-	-	-	3,192	3,192
Payables and other liabilities	-	-	-	-	-	24,513	24,513
Total	503,135	37,042	37,408	-	-	27,832	605,417

25. Financial risk management (continued)

(d) Liquidity risk (continued)

2010	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities							
Deposits from other banks	-	-	-	-	-	122	122
Deposits from customers	437,048	30,890	39,659	-	-	-	507,597
Borrowings	-	-	6,313	-	-	-	6,313
Income tax liability	-	-	-	-	-	367	367
Payables and other liabilities	-	-	-	-	-	13,364	13,364
Total	437,048	30,890	45,972	-	-	13,853	527,763

(e) Capital management

(i) Regulatory capital

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

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

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

(ii) Capital allocation

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

26. Fair values of financial assets and liabilities

The aggregate fair values of financial assets and liabilities carried on the statement of financial position are approximately equal to their carrying values as at 31 December 2011.

27. Comparative figures

The following comparative figures have been reclassified to conform with the current year's presentation:

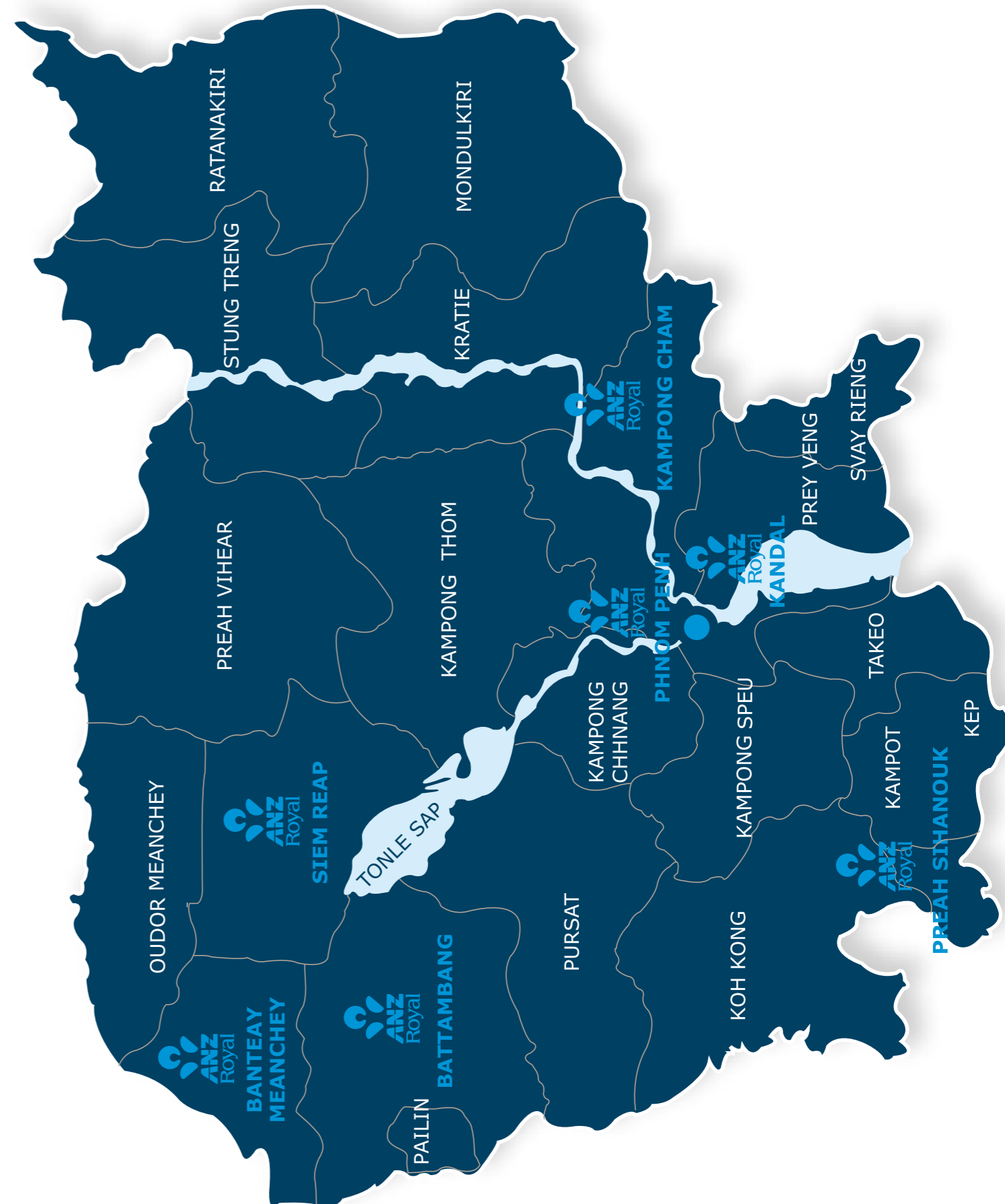
	As reclassified	As previously stated
	US\$	US\$
Statement of comprehensive income		
Interest income	29,522,789	28,322,482
Net fee and commission income	10,256,177	10,858,494
Operating expenses	(22,817,416)	(22,219,426)
	16,961,550	16,961,550

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

No.	Other Ratios	Formula by NBC		2011		2010	
		Numerator	Denominator	Calculation (in figure)		Ratio	
				Numerator (A)	Denominator (B)	A/B	Ratio
		A	B	US\$	US\$	%	%
CAPITAL							
1	Equity to total assets	Equity	Total assets	82,865,291	688,330,386	12.04%	12.25%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	81,283,458	688,330,386	11.81%	11.79%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	81,283,458	367,429,370	22.12%	23.25%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	84,355,624	367,429,370	22.96%	24.46%
5	Net worth to total assets	Net worth	Total assets	84,355,624	688,330,386	12.26%	12.04%
6	Solvency ratio	Net worth	Risk weighted assets	84,355,624	367,429,370	22.96%	23.75%
7	Debts to total assets	Total liabilities	Total assets	605,465,095	688,330,386	87.96%	87.75%
8	Debt to equity	Total liabilities	Equity	605,465,095	82,865,291	730.66%	716.66%
9	Dividend to net profit	Dividend	Net profit	-	11,917,230	-	-
ASSET QUALITY							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	3,072,166	329,962,441	0.93%	0.93%
11	Banking reserve to total assets	Banking reserves	Total assets	3,072,166	688,330,386	0.45%	0.46%
12	NPL to total loans	NPL	Total loans (gross)	12,105,282	329,962,441	3.67%	4.85%
13	NPL to total assets	NPL	Total assets	12,105,282	688,330,386	1.76%	2.37%
14	Classified assets to total loans	Classified assets	Total loans (gross)	12,105,282	329,962,441	3.67%	4.85%
15	Classified assets to total assets	Classified assets	Total assets	12,105,282	688,330,386	1.76%	2.37%
16	Classified assets to equity	Classified assets	Equity	12,105,282	82,865,291	14.61%	19.38%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	1,541,012	329,962,441	0.47%	0.36%
18	Large exposure to total loans	Large exposure	Total loans (gross)	107,958,887	329,962,441	32.72%	38.86%
19	Loan to related parties to net worth	Loan to related parties	Net worth	1,541,012	84,355,624	1.83%	1.48%
20	Large exposure to net worth	Large exposure	Net worth	107,958,887	84,355,624	127.98%	157.91%
21	General provision to total loans	General provision T	total loans (gross)	3,657,361	329,962,441	1.11%	0.93%
22	Specific provision to total loans	Specific provision	Total loans (gross)	7,844,789	329,962,441	2.38%	3.27%
23	Specific provision to NPL	Specific provision	NPL	7,844,789	12,105,282	64.80%	67.37%

No.	Other Ratios	Formula by NBC		2011			2010
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
ASSET QUALITY (continued)							
24	All allowances to total assets	Total all allowances	Total assets	11,502,150	688,330,386	1.67%	2.05%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	329,962,441	575,349,692	57.35%	58.02%
EARNINGS							
26	Return on assets	Net profit	Total assets	11,917,230	688,330,386	1.73%	1.34%
27	Return on equity	Net profit	Equity	11,917,230	82,865,291	14.38%	10.94%
28	Gross yield	Interest income	Total assets	29,453,990	688,330,386	4.28%	4.71%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	24,708,073	688,330,386	3.59%	3.67%
30	Other income to total assets	Other incomes	Total assets	14,841,423	688,330,386	2.16%	1.80%
31	Provision to total assets	Provisions	Total assets	11,502,150	688,330,386	1.67%	2.05%
32	Overhead to total assets	Non-interest expenses	Total assets	23,825,962	688,330,386	3.46%	3.69%
33	Net income before tax to total assets	Net income before tax	Total assets	15,074,368	688,330,386	2.19%	1.67%
34	Taxes to total assets	Taxes	Total assets	(3,157,138)	688,330,386	-0.46%	-0.33%
35	Interest margin to gross income	Interest income – Interest expense	Gross income	24,708,073	44,295,413	55.78%	56.44%
36	Non-interest income to gross income	Non-interest income	Gross income	14,841,423	44,295,413	33.51%	27.71%
37	Non-interest expense to gross income	Non-interest expense	Gross income	23,993,572	44,295,413	53.79%	56.71%
38	Times interest earned interest expense	Profit before tax +	Interest expense	19,820,285	4,745,917	4.18 times	2.62 time
LIQUIDITY							
39	Liquid asset	Liquid asset	Total assets	249,888,584	688,330,386	36.30%	37.81%
40	Short-term liabilities (less than one year)	Short-term liabilities	Total assets	605,465,095	688,330,386	87.96%	87.75%
41	Net liquid assets liabilities	Liquid assets – shortterm	Total liabilities	(355,576,511)	605,465,095	-58.73%	-56.91%
42	Quick ratio	Quick assets *	Current liabilities	249,888,584	605,465,095	41.27%	42.78%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers(gross)	575,349,692	329,962,441	174.37%	172.35%

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



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