

# ANNUAL REPORT 2008



Where world-class expertise meets local understanding



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# Our Values

## Integrity

Do what is right

## Collaboration

Work as one

## Accountability

Own your actions

## Respect

Value every voice

## Excellence

Be your best



## Chairman's Message

### Our Performance

ANZ Royal Bank's profit for 2008 was \$3 million, up from \$0.48 million in 2007, our first year of profit.

Revenue growth was strong at 57%, driven largely by 73% growth in lending assets. Expenses grew 41%, reflecting our investment in the business.

### Investing in the Business

In 2008, we continued to invest heavily in ANZ Royal Bank. We launched a Credit Card business, which included Cambodia's first genuine unsecured credit card. We opened 4 new branches and 36 new ATMs, bringing our total ATM network to 127. To support our growth, we added 175 new staff in 2008.

While this level of investment comes at the expense of short-term profits, it has helped establish a very strong foundation for ANZ Royal Bank and positions us well to become Cambodia's leading bank in the years ahead. Just as important, it is a clear demonstration of the commitment of both shareholders to the future of ANZ Royal Bank, and to Cambodia.

### Prudent Management

For many banks, and indeed many countries around the world, 2008 was a challenging year. The Board and Management of ANZ Royal Bank responded appropriately by further tightening credit standards, carefully managing liquidity, and increasing capital from 40M to 65M. ANZ Royal Bank's liquidity and capital ratios are very strong compared to both Cambodian and global benchmarks.

This strength has ensured that ANZ Royal Bank has remained well placed to continue supporting our customers.

Finally, I would like to thank the management and staff of ANZ Royal Bank. We have the best people in the industry and they have been an integral part of the success of ANZ Royal Bank.

**Neak Oknha Kith Meng**  
Chairman  
ANZ Royal Bank

## CEO's Message

### Positioned for Growth

In just over three years, ANZ Royal Bank has achieved an incredible amount. We have built an extensive branch network across Cambodia, almost half of the ATMs in Cambodia are ANZ Royal Bank ATMs, we have established a leading Trade and Markets capability, and I believe the people who work for us are the best in Cambodia.

A large part of the credit for this goes to ANZ Royal Bank's previous CEO Dean Cleland, who moved to another role in ANZ in May 2008. Dean's vision and drive, with the support of the Board, was a key factor in the initial success of ANZ Royal Bank.

Looking at the business now, in Retail we have the infrastructure that we need to support our growth in the coming years. Our focus is shifting to growing the returns from that business, and making it even easier for customers to deal with us.

Over the past year, we have put more focus into building our Corporate and Institutional Business. We believe that this is a core capability for ANZ Royal Bank, as we leverage the strength of the ANZ Banking Group and its network across Asia. In the year ahead, we will introduce a number of new products and capabilities that will take our customer proposition even further ahead in this market.

When we combine this infrastructure with a very strong balance sheet, with high levels of capital and liquidity, we are better placed than ever to serve our customers and grow the business.

Overall, the outlook for ANZ Royal Bank is very promising.

**Stephen Higgins**  
CEO  
ANZ Royal Bank

**Rock-solid**  
banking expertise  
in Cambodia



# Retail Banking

Despite the economic slowdown experienced in the latter half of 2008, Retail Banking had another year of expansion both financially and geographically. This was made possible with the deployment of more branches, ATMs, Point-of-Sale (POS) terminals and the launch of our credit card business. We made a concerted effort to deliver better customer service by increasing training and committing to a 5-point strategy: our greetings, our product knowledge, the way we speak to our customers, the way we listen to our customers and enhanced complaint resolution.

## What We Do

Retail Banking is responsible for servicing both consumers and our business customers through our network of 19 branches, our call centre and our network of specialist sales staff.

## Our Products and Services include:

- Savings and Chequeing Accounts
- Term Deposits
- Overseas Payment Transfers
- Bill Paying Services
- Online Banking
- Credit Cards
- Premier Banking
- Mobile Top-Up Services
- Home Loans and Home Equity Loans

## 2008 Achievements

We opened four new branches in Chom Chao, Takhmao, Chbar Ampoeu and Stung Mean Chey to reach out further into the city of Phnom Penh. We rolled out 36 ATMs to make accessing our services more convenient for our customers. And we launched our credit card business with the Emerald and Diamond Visa cards.

On the financial side, we increased our deposits by 8% through the addition of 31,654 new customers. Our home loan book grew from \$20m in 2007 to \$30m in 2008 and our small business loans grew from \$5m to \$15m.

## Our Goals for 2009

In 2009, we will optimise our channels by re-deploying ATMs to locations with more visibility and traffic. We will also launch a major branch in Toul Kork, an important subdivision of Phnom Penh.

Superior customer service will still be on top of our agenda and we have a two-pronged approach to enhancing the way we service our customers - more training and stronger sales coaching focus. In 2009, all our staff will undergo "Customer First" training, a consultative sales approach to dealing with our customers. This will be enhanced with regular coaching by managers to truly embed the culture of needs-based sales. These two initiatives will enhance our goal of making life easier for our customers.



# Corporate and Institutional Banking

In today's competitive business environment, we all seek partners that can provide us support and help grow our business in order to become successful. At ANZ Royal Bank, we focus on building close relationships with our customers. Establishing trust and credibility is crucial to the foundation of a mutually beneficial long-term relationship.

We provide a full range of banking and finance solutions to cater for all types of businesses, from local companies, small and medium businesses, multinational and regional corporations, diplomatic corps, NGOs and multilateral agencies.

## 2008 Achievements

Highlights for Corporate & Institutional Banking during the 2008 year include:

- Continued strong growth in loans of 63%
- Substantial increase of our Relationship Banking team to better serve our customers
- Ongoing expansion of our product range in Foreign Exchange, Trade Finance, Cash Management, International Payments and Electronic Banking

## What We Offer

Our value proposition is to provide world-class service to our business customers through a dedicated relationship management team. 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 Bank offers a wide range of products and services to meet the banking and finance needs of the business community. Our transactional and cash management products provide a convenient and safe way for our customers to manage payments and earn interest on surplus cash. Coupled with our tailored finance facilities, this assists our customers to manage their total cash and working capital needs.

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 rate movements.

## Our Goals for 2009

- Continue to develop a close working relationship with our business customers through ongoing development and support of our dedicated relationship management and product specialist team.
- Leverage ANZ Banking Group's global trade finance expertise and worldwide network to provide specialised trade finance and international payments services and advice to minimise risk and maximise returns for our customers.
- Introduce new products and services in Trade Finance and Financial Markets to ensure our customers have access to essential banking services to manage their business needs.



## Our Community

Achieving significant and lasting improvements for individuals and society in areas where we operate is one of the major goals of ANZ Royal Bank.

### Educational Development

On top of our agenda is education investment for the underprivileged, particularly those in the areas where we work and live.

- **Community Fund:** Enabling each branch to support any community activity which best meets the needs of the locality where branches operate. This special fund was allocated for investment in education.
- **National Library of Cambodia's Information Literacy Program:** Training students, scholars and the public on effective use of search engines and the library's catalogues for research purposes.
- **Education Development Functions:** Covering student debates, business plan competitions and capacity-building workshops related to education.

### Pro-Disability Programs

We extended our support to people with disability through Cambodia's 'Mines-Remove' Campaign and Cambodian National Volleyball League Disabled (CNVLD). Our long-standing partner, CNVLD enabled us to provide employment opportunities, especially through sports for people with disability. We supported CNVLD by helping people with disability have their voices heard at an exhibition at the United Nations Palais des Nations in Geneva, Switzerland.

Equally noticeable, we set out to establish a Disability Access Policy to ensure that future construction of buildings take into account disabled access to our facilities.

### Volunteerism

Our staff devoted well over 6,000 hours in volunteer programs. No weekend went by without our staff participating in volunteer programs, among which were child-safe volunteer programs, blood donations, road safety awareness campaigns, English and general education teaching programs, and the Naga Queen Show.

Together with supporting environmental awareness and emergency relief for victims of fire, 2008 saw us participate in a number of social welfare development activities and in 47 community programs.



## Our People

Our people are our most valuable asset and the key to our success.

At ANZ Royal Bank, we continue to invest in our people to ensure that we attract, develop and retain talented staff. In 2008 alone, we spent around \$600,000 on training and development for our staff.

We have an organisational culture that supports high-performing individuals and allows them to freely voice their opinions and ideas, and be recognised for their contribution.

In 2008, we implemented an Accreditation Program which was developed to provide a competency benchmark for staff performance. It sets out the skills our people need to acquire in order to effectively perform a certain role, and provides learning solutions for the staff to acquire those skills. In 2008, 271 of our staff were accredited to 'Ready

to Start' level, the first of the three levels of our Accreditation Program.

Being a part of a global bank, ANZ Royal Bank offers ample career opportunities for our people. Staff development is not limited to within Cambodia's borders. Our people also have the opportunity to gain exposure to foreign experience and ways of thinking. In 2008, three key management roles have been localised by our Cambodian staff who had received secondment opportunities in Australia and New Zealand. They returned to their home country after one year with new experiences and renewed confidence to take on more senior roles.

We also take a strong interest in the welfare of our staff. In 2008, we spent nearly \$200,000 on health care for our staff and their families - all part of the commitment we have to our people.



# Risk Management

Risk Management is a core capability of ANZ Royal Bank and is instilled in all areas of the operations, commencing with the induction of all staff, who undertake extensive risk awareness training as part of their introduction to the bank.

The Bank actively monitors, assesses and controls risk throughout the business. The oversight of risk activities is undertaken by the Audit and Risk Committee of 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 follows:

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

ANZ Royal Bank has implemented international standard credit policies and procedures, which leverage heavily from

the considerable experience of the ANZ Group.

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

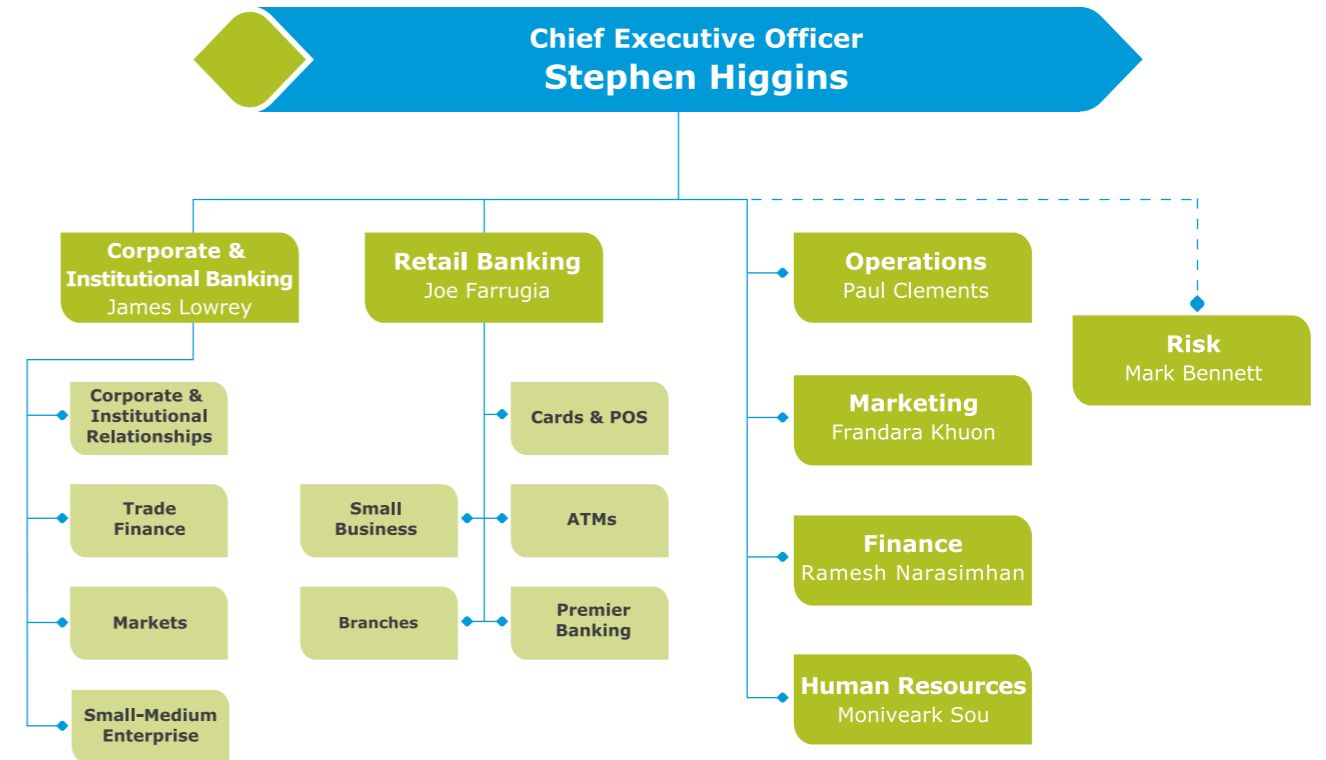
Appropriate policies to deal with these risks have been implemented at ANZ Royal Bank including the review of Interest Rate Risk, Liquidity Risk and Foreign Exchange Risk procedures and appropriate monitoring, reporting and oversight review of exposures. Appropriate segregation of duties controls are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

**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.



# Organisational Chart



# Board of Directors

As at 31 December 2008

## Neak Oknha Kith Meng - Chairman and Director

Neak Oknha Kith Meng is Chairman and Chief Executive Officer of the family-owned Royal Group of Companies, which was founded in 1990. He has been the driving force behind bringing international business interests into Cambodia. Initially through his joint venture with Millicom to create the enormously successful Mobitel company (now the number one mobile network operator in Cambodia) and now bringing ANZ Banking Group into the market in a joint venture to create ANZ Royal Bank. He is a passionate entrepreneur who is committed to adding value to the Cambodian economy through direct foreign investment. He holds numerous significant roles in Cambodia, including President of the Phnom Penh Chamber of Commerce.

## Oknha Kith Thieng - Director

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

## Bob Edgar - Director

Bob Edgar was a Senior Managing Director for ANZ until his retirement in April 2009, holding responsibility for ANZ's investment in ING Australia, Asian International Partnerships, Private Banking and leading the Group's strategic growth and cost agenda.

Bob joined ANZ in December 1984 as Senior Economist. In May 1986, he was appointed Chief Economist and in May 1988 he was appointed Group Executive, Strategic Planning and Economics.

Bob holds a Bachelor of Economics (Hons) from University of Adelaide and a PhD from Ohio State University.

Bob is a Fellow of the Australian Institute of Bankers and a Member of the Australian Institute of Directors. He holds various ANZ Group company directorships, including Chairmanship of Esanda and directorships of ANZ National Bank Limited (NZ) and ING Australia. Bob retired from ANZ in April 2009, and subsequently retired from the Board of ANZ Royal Bank.

## Colin Mansbridge - Director

Colin Mansbridge was a General Manager working with one of ANZ's Vietnamese partners. Prior to this appointment, Colin was a Local CEO for ANZ in New Zealand. Colin has held general management roles responsible for International Trade and Payments, Mortgages and Retail Banking in New Zealand. He was a Risk Director for a mining, aluminum business and LME brokerage in London, having previously worked for the Securities and Futures Authority, where he had regulatory oversight of the credit and derivatives businesses of a portfolio of banks operating in the UK.

Colin holds a Bachelor of Commerce from the University of Otago. Colin is a Fellow of the Financial Services Institute of Australasia. Colin retired from the Board of ANZ Royal Bank in January 2009.

## Debasish Pattnaik - Director

Debasish was employed by the Royal Group until May 2009. At Royal, he was involved in assisting the Group's expansion since joining in 1997. He held key roles on a large number of the Group's expanding interests. He was a director in Mobitel, ANZ Royal Bank and a number of other companies of the Group's trading businesses. During the establishment of ANZ Royal Bank, he contributed significant on the ground knowledge and experience to expedite the implementation phase and contributed in the strategic board reviews of the business. Debasish retired from the Board of ANZ Royal Bank in May 2009.

## Wayne Stevenson - Director

As Chief Financial Officer for the Asia Pacific Division, Wayne Stevenson is responsible for the financial management and performance of the Group's banking businesses and partnership investments within the Asia Pacific region. Wayne joined ANZ following the acquisition of PostBank in 1988. He worked with ANZ in New Zealand as Chief Auditor until 1993, following which he relocated to Australia to head up the audit division responsible for the Group's Australian Operations.

Since moving from Audit in 1995, he has held a number of senior Finance, Risk and Operations roles with ANZ - including CFO of ANZ's International Division, ANZ's Personal Banking and Wealth Management Businesses in Australia, and CFO of ANZ Investment Bank.

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

## Alex Thursby - Director

Alex Thursby is ANZ's Chief Executive Officer, Asia Pacific, Europe and America. He is also responsible for leading the Group Strategy and Marketing agenda.

Alex joined ANZ in 2007 after 20 years with Standard Chartered Bank, where he held various senior wholesale banking roles in Hong Kong, London, Indonesia and Singapore.

Most recently, he held the positions of Senior Managing Director and Group Head of Corporate and Institutional Client Relationships, Wholesale Banking in Singapore.

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

# Management



**Stephen Higgins**  
CEO

Stephen Higgins joined ANZ Royal Bank as CEO in May 2008. Stephen has been with ANZ Group (the parent of ANZ Royal Bank) for nearly 16 years. Previous roles include Head of Investor Relations for ANZ Group, where he built the most highly regarded Investor Relations team in Australasia, with ANZ winning Best Investor Relations three years running 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 Master of Business Administration from Melbourne Business School.



**James Lowrey**  
Head of Corporate & Institutional Banking

James Lowrey commenced with ANZ Royal Bank in July 2008 and leads the Corporate and Institutional Banking teams, encompassing business client relationships, business finance, trade finance, financial markets and business strategy.

James' 18-year career in the financial services industry has included roles in retail banking, corporate and business banking, risk management, sales and service, general management and project management. He has spent the past 6 years in the Asia Pacific region. Recent roles in the region have included Country Head/Head of Sales positions in New Zealand and the Pacific Islands and Regional Project roles covering Asia and Australasia. Most recently, he spent 2 years in Singapore implementing a regional strategy in the Corporate and Business Banking sector in Asia.

James holds a Bachelor of Business Studies in International Finance from Massey University, New Zealand, a Diploma in Accounting and is a Senior Associate of the Australasian Institute of Banking and Finance. In 2006, James commenced a Master's degree in Leadership with the NZ Institute of Leadership and the Auckland University School of Business.



**Joe Farrugia**  
Head of Retail Banking

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

A career spanning over 28 years in retail banking, Joe commenced with ANZ Bank in 1981 and has covered all general branch banking roles including a number of years as branch manager before moving into an Area Manager role, District Manager role then finally as the Local CEO within Melbourne's Northwestern Region.

Joe has always demonstrated a desire to work abroad, particularly within the Asian region. With so many years of frontline experience, the opportunity to come to Cambodia and share his wealth of banking knowledge and create a sustainable Retail model has been a high priority for him.



**Paul Clements**  
Chief Operating Officer

Paul holds the position of Chief Operating Officer which leads the Operations areas of ANZ Royal Bank encompassing the support functions across Information Technology, Electronic Banking Services, Legal, Property, Procurement/Supplier Management, Administration and Operations Support, and the processing areas of Trade, Treasury, Credit, and Payment Processing. Paul has over 22 years of banking experience of which the last 9 years has been with the ANZ Group. Paul joined ANZ Royal Bank in 2009 after recently working with PT ANZ Panin Bank in Indonesia.

He has experience in areas covering Relationship Banking, Corporate Finance, Credit Risk, and in transformation and enablement programs. He has previously worked for JP Morgan Chase and Westpac Banking Corporation.



**Khuon Frandara (Dara)**  
Head of Marketing

Dara began her career in the banking industry with ANZ Royal Bank in July 2006.

Dara returned to her homeland in 1993, after being educated in France and working abroad. Upon her return, she commenced her career as Public Relations Manager of Sofitel Cambodiana Hotel. Dara moved to the travel industry as Manager of the Cambodia branch of regional travel agency Exotissimo, after which she established her own travel agency (Getaway Travel) and Pose café. Dara's strong background in marketing and sales in the services sector, both business-to-business and retail has been of great benefit to her in forging close relationships with local merchants and rolling out ANZ Royal Bank's point of sale (POS) and credit card offerings in Cambodia.

Head of Marketing since July 2008, Dara works with Management and agencies to build a strong ANZ Royal Bank Brand and run the marketing and community agenda of the Bank.



**Ramesh Narasimhan**  
Head of Finance

Ramesh Narasimhan commenced with ANZ Royal Bank in March 2009, leading the Finance team in Cambodia encompassing Financial Reporting, Management Reporting and Strategy and Regulatory Reporting (including Taxation and Governance matters).

Ramesh's 12-year-plus career includes over 9 years with Standard Chartered Bank (India and Singapore) in senior finance roles in Retail Banking, Country Performance Management and Group Retail Banking Performance Management and 3 years during the early part of his career with Deloitte's India, where he planned and conducted both internal and statutory audits.

Ramesh's recent roles include managerial positions in Standard Chartered Bank supporting Costs and Investments Management / Strategy for the Global Retail Bank and Performance Management / Strategy for the Deposits and Wealth Management business, both of the above roles based in the Group office in Singapore. Prior to that, he was heading Performance Management for Standard Chartered Bank in India.

Ramesh is a Chartered Accountant from the Institute of Chartered Accountants of India and also holds a Bachelor of Commerce degree from Bangalore University, India.



**Moniveark Sou**  
Head of Human Resources

Moniveark started with ANZ Royal Bank in December 2005 as Human Resources Manager and was promoted to Head of Human Resources in late 2006. Moniveark leads Human Resources at ANZ Royal Bank covering recruitment, training, remuneration, labor law governance, organisational design and development, rewards and recognition, performance management, payroll and the staff engagement survey.

After completing her degree in Management and Bachelor of Education in the English language, she commenced her professional career at British American Tobacco (Cambodia) as a Graduate Trainee and progressed to become Training and Development Manager. She has spent almost 5 years improving her expertise in Human Resources Management.

Moniveark's focus is to build a strong values-based culture in ANZ Royal Bank that encourages trust and open communication. She promotes ANZ Royal Bank as an employer of choice that attracts, develops and retains talent, by providing opportunities to maximise personal potential for growth, achievement and 'speak-out'.

## Profit and Loss Summary

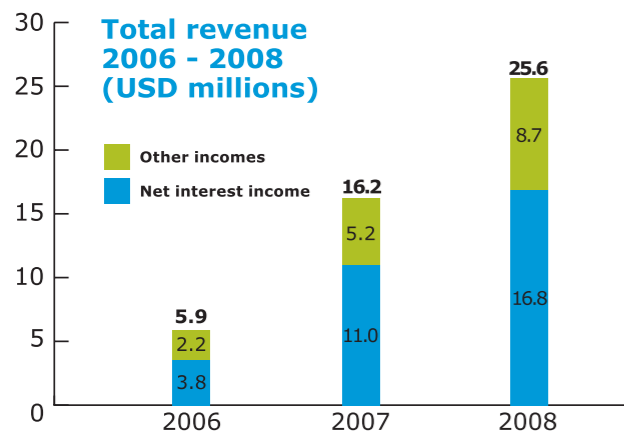
**Significant business momentum now exists – 2008 has been a record year for ANZ Royal Bank – achieving the highest ever profit after our third full year of trading.**

This year, a net profit after tax of \$3.0 million is reported (2007: \$0.5m). Turning profitable within a short span of time has been a huge milestone for ANZ Royal Bank. 2008 was the year when ANZ Royal Bank completed its infrastructure build through sizeable investments in people, premises and technology. However, a profit was achieved by significantly growing our customer base, strong balance sheet growth, coupled with a balanced approach to investment and expense management.

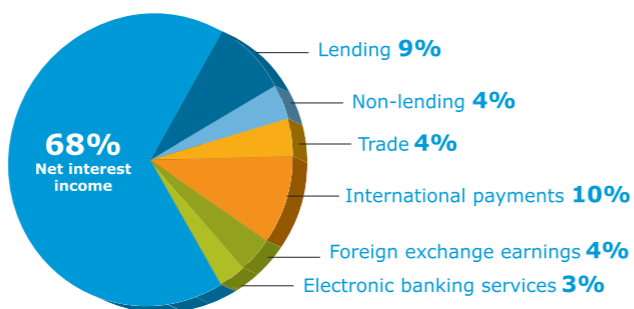
### Some key achievements in 2008 included:

- More than 50% increase in the number of new accounts in 2008 – Account Base increased from 56,275 in 2007 to 89,674 accounts in 2008.
- 4 new branches opened in 2008, including Stung Mean Chey, Takhmao, Chbar Ampoeu and Chom Chao, to bring the total number to 19 branches in Cambodia.
- 36 new ATMs were installed during the year taking the total number of ATMs to 127.
- Delivering over 69,000 training hours, 250 staff have been accredited and successful placement of some of our top local talent in other ANZ offshore offices, a significant milestone in our staff localisation planning.

Profit and Loss Summary	2007 (\$m)	2008 (\$m)	Movt (%)
Net interest income	11.00	16.80	53%
Other operating income	5.22	8.70	67%
<b>Operating income</b>	<b>16.22</b>	<b>25.50</b>	<b>57%</b>
Operating expenses	(14.27)	(20.06)	41%
<b>Profit before provision</b>	<b>1.95</b>	<b>5.44</b>	<b>180%</b>
Doubtful debt provision	(0.94)	(1.31)	39%
<b>Profit before income tax</b>	<b>1.01</b>	<b>4.13</b>	<b>311%</b>
Income tax expense	(0.52)	(1.13)	115%
<b>Net Profit after tax</b>	<b>0.48</b>	<b>3.00</b>	<b>523%</b>



### Operating income by type



## Profit and Loss Summary

**Revenue growth significantly outpaced expense growth, whilst cost growth was primarily driven by focus on investment in infrastructure build.**

### Net interest income

Net interest income ("NII") is the difference between interest received from customer lending and interest paid by ANZ Royal Bank to those providing our funding.

Significant balance sheet growth in both deposit and loan volumes saw NII increase by 53% to \$16.8m (2007: \$11.0m).

Our lending book has steadily grown to generate improved revenues, despite a competitive and very price sensitive market. One of ANZ Royal Bank's aims is to keep our interest rate pricing transparent to our customers, so they clearly understand how our loans are priced. Furthermore, where customers are able to reduce their credit risk, interest rates can also be reduced to match the assessed level of risk.

### Other operating income

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

**Other operating income increased 67% to \$8.7m in 2008. Key contributions to the other operating income line include:**

- Trade international payments and foreign exchange income of \$4.6m, generating more than half of non-interest income, remains a core income earner. Monthly transactions and volumes increased more than 50% compared to last year, clearly reflecting our growing market share, international brand, and the ANZ global network of correspondents.
- Lending fee income, driven largely by the \$106m increase in our lending volumes, as we sought to penetrate the business loan market and build strong customer networks. Recognition of lending fee income is based on International Financial Reporting Standards (IFRS), where the loan approval fee is spread and recognised over the term of the loan, rather than upfront.
- Non-lending fee income has steadily increased each month and reflects the 33,399 new accounts opened during the year and the Bank's strength in electronic banking services.

## Profit and Loss Summary

Costs grew by 41% to \$20.1m (2007: \$14.2m), driven by investments in infrastructure and product enhancements to foster growth.

### Key areas of expenditure:

**Personnel (2008:\$8.9m; 2007:\$6.2m)**

A heavy recruitment agenda in 2008 saw 175 new staff join ANZ Royal Bank, predominantly related to our front line branch staff and customer facing roles, bringing total staff numbers to 530 and driving the 44% increase in personnel costs. Staff training costs also feature strongly, and are an important part of employee development as well as ensuring world-class banking services.

**Premises (2008: \$3.1m; 2007:\$1.9m)**

Premises expenses were up 63% due to the growth and investment in our branch network, as we went from 15 branches to 19 branches over the course of the year, as well as a growing head office to accommodate the business growth.

**Technology (2008: \$3.1m; 2007:\$2.4m)**

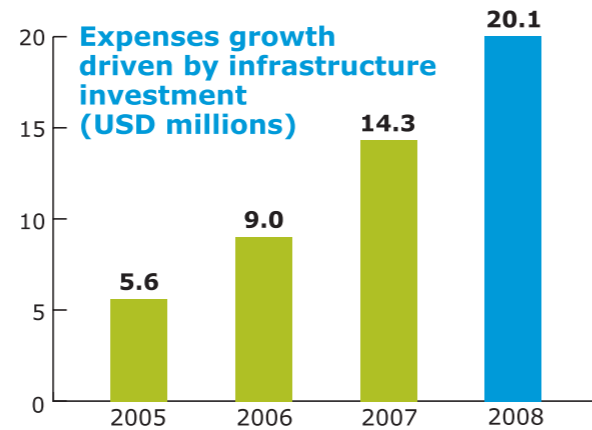
Technology costs increased moderately by 32%. Main drivers behind this increase were related to expansion of our ATM network to 127 ATMs and 1,200 Point of Sale terminals, as well as increased depreciation from prior year technology investments. Technology will remain a key expenditure as the bank continues to innovate and bring new products and services to Cambodia.

### Provision for Credit Impairment

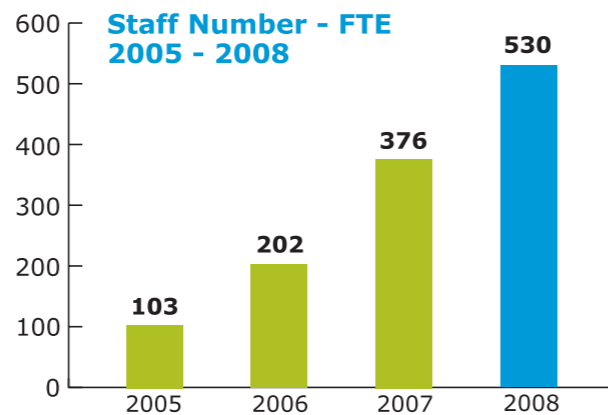
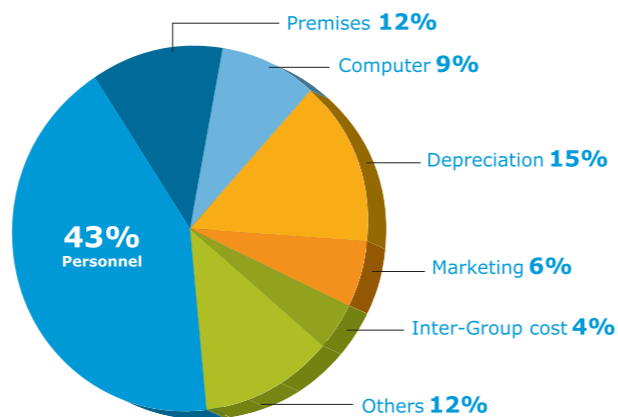
Provision for credit impairment allows for credit losses arising from the lending book. Specific provisioning for loans in arrears is a requirement of the NBC. However, in addition to this, ANZ Royal Bank also provides for general provisioning in line with ANZ Group requirements and international practice.

In 2008, a provisioning charge of \$1.3m (2007:\$0.9m) was booked to the profit and loss to bring our total provision for credit impairment to \$2.5m as at 31 December 2008. As a percentage of our total lending, this equates to 1% (2007: 0.8%).

The significant increase in the provisioning charge is commensurate with the growth in the loan book during 2008 and reflects prudent provisioning above NBC requirements – it is not due to any noticeable deterioration in the credit quality of the lending portfolio.



## Operating income by type



## Balance Sheet

A highlight in 2008 was achieving No. 4 market share position in deposits and loans.

Strong overall balance sheet growth in our lending assets and deposit liabilities has been a key driver in the Bank's financial success.

The Bank also increased its capital from \$40m to \$65m to support its growth requirements.

### Loans

This includes loans made to individuals (personal & home loans), businesses and large corporations.

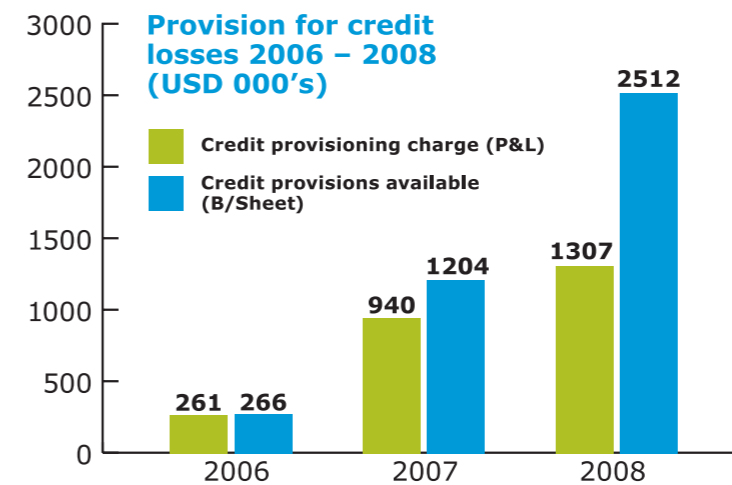
Lending assets increased significantly to \$252m (2007: \$146m) over the past year, split \$208m business lending and \$44m personal lending. Business lending has been particularly successful in growing its market share and its focus to build deeper customer relationships and networks.

Our segment approach targeting different customer segments of business, SME and personal lending has proved successful in building our balance sheet.

### Deposits

Excluding a large temporary deposit from a Korean investor (aggregating \$170m) at the end of 2007, our deposits in 2008 remain constant compared to last year given a management decision to consciously reduce deposit volumes due to continued reduction in US dollar interest rates.

KHR deposits increased to \$2.6m equivalent (2007: \$1.9m), but still represents a small proportion of our overall deposits. The bank has continued to work with various stakeholders and the NBC to promote KHR usage within the official banking sector.



# Financial Statements and Auditors' Report

31 December 2008

## Corporate Information

<b>Bank</b>	ANZ Royal Bank (Cambodia) Ltd.
<b>Registration No.</b>	1224/04 PN
<b>Registered Office</b>	20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia
<b>Shareholders</b>	ANZ Funds Pty Ltd. Royal Group Finance Co., Ltd.
<b>Directors</b>	<b>Neak Oknha Kith Meng</b> <b>Oknha Kith Thieng</b> <b>Debasish Pattnaik</b> (retired May 2009) <b>Bob Edgar</b> (retired April 2009) <b>Wayne Stevenson</b> (appointed November 2008) <b>Alex Thursby</b> (appointed November 2008) <b>Nigel Denby</b> (appointed March 2009)
<b>Management Team</b>	<b>Stephen Higgins</b> , Chief Executive Officer <b>James Lowrey</b> , Head of Corporate and Institutional Banking <b>Joe Farrugia</b> , Head of Retail Banking <b>Paul Clements</b> , Chief Operating Officer <b>Frandara Khuon</b> , Head of Marketing <b>Ramesh Narasimhan</b> , Head of Finance <b>Moniveark Sou</b> , Head of Human Resources <b>Mark Bennett</b> , Head of Risk
<b>Auditor</b>	KPMG Cambodia Ltd.

The Directors have the pleasure of submitting their report together with the audited financial statements of ANZ Royal Bank (Cambodia) Ltd. ("the Bank") for the year ended 31 December 2008.

## 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 2008 were as follows:

	US\$
Profit before income tax	4,141,841
Income tax	(1,133,242)
<b>Profit after income tax</b>	<b>3,008,599</b>

## 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

On 4 February 2008, the Bank increased the paid-up share capital from US\$40,000,000 to US\$55,000,000 through the issue of 150,000 shares at US\$100 each. Subsequently, on 23 October 2008, the Bank increased the paid-up share capital from US\$55,000,000 to US\$65,000,000 through the issue of 100,000 shares at US\$100 each.

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

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

## Valuation Methods

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

## Contingent and Other Liabilities

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

- any charge on the Bank's assets 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 Bank's operations 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**
- Debasish Pattnaik** (retired)
- Colin Mansbridge** (retired)
- Bob Edgar** (retired)
- Wayne Stevenson** (appointed 14-11-08)
- Alex Thursby** (appointed 14-11-08)
- Nigel Denby** (appointed 02-03-09)
- Damien Johnson** (retired)

## Directors' Interests

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

## Directors' Benefits

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

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

## Directors' Responsibility in respect of the Financial Statements

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2008, and of the results of its operations, 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 issued by the National Bank of Cambodia 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,

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**Nigel Denby**  
Director

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**Debasish Pattnaik**  
Director

## To the Shareholders ANZ Royal Bank (Cambodia) Ltd.

We have audited the accompanying financial statements of ANZ Royal Bank (Cambodia) Ltd. ("the Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 25 to 53.

## Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

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

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ANZ Royal Bank (Cambodia) Ltd. as at 31 December 2008 and of 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 of the financial statements. The accompanying financial statements as at 31 December 2008 and for the year then ended have been translated into Khmer Riel solely for compliance with the guidelines issued by the National Bank of Cambodia regarding 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.



**Craig McDonald**  
Audit Partner

Phnom Penh  
30 March 2009

As at 31 December 2008

	Note	2008		2007
		US\$	KHR'000	US\$
<b>Assets</b>				
Cash and bank balances	5	76,150,977	310,772,137	88,183,829
Deposits and placements with banks	6	5,000,000	20,405,000	260,890,086
Net loans and advances	7	248,713,342	1,014,999,149	144,984,873
Regulatory deposits	8	66,767,560	272,478,412	49,227,619
Deferred tax assets, net	9	536,622	2,189,954	1,344,005
Intangible assets	10	150,540	614,354	99,996
Other assets	11	2,337,432	9,539,059	1,465,816
Premises and equipment	12	17,505,773	71,441,060	13,659,863
<b>Total assets</b>		<b>417,162,246</b>	<b>1,702,439,125</b>	<b>559,856,087</b>
<b>Liabilities</b>				
Deposits from other banks	13	14,267	58,224	148,123
Deposits from customers	14	349,533,301	1,426,445,401	520,411,626
Income tax liability	9	31,895	130,163	31,000
Payables and other liabilities	15	6,088,061	24,845,377	5,779,215
<b>Total liabilities</b>		<b>355,667,524</b>	<b>1,451,479,165</b>	<b>526,369,964</b>
<b>Net assets</b>		<b>61,494,722</b>	<b>250,959,960</b>	<b>33,486,123</b>
<b>Shareholders' equity</b>				
Share capital	16	65,000,000	265,265,000	40,000,000
Accumulated losses		(3,505,278)	(14,305,040)	(6,513,877)
<b>Net shareholders' funds</b>		<b>61,494,722</b>	<b>250,959,960</b>	<b>33,486,123</b>

The accompanying notes form part of these financial statements.

# Income Statement

## Year ended 31 December 2008

	Note	2008		2007
		US\$	KHR'000	US\$
Interest income	17	23,871,469	97,419,465	16,669,958
Interest expense	18	(7,099,541)	(28,973,227)	(5,673,713)
<b>Net interest income</b>		<b>16,771,928</b>	<b>68,446,238</b>	<b>10,996,245</b>
Net fee and commission income	19	8,735,193	35,648,323	5,223,562
<b>Operating income</b>		<b>25,507,121</b>	<b>104,094,561</b>	<b>16,219,807</b>
Operating expenses	20	(20,057,810)	(81,855,923)	(14,274,393)
<b>Profit before doubtful debt provision and income tax</b>		<b>5,449,311</b>	<b>22,238,638</b>	<b>1,945,414</b>
Doubtful debt provision	7	(1,307,470)	(5,335,785)	(939,596)
<b>Profit before income tax</b>		<b>4,141,841</b>	<b>16,902,853</b>	<b>1,005,818</b>
Income tax	9	(1,133,242)	(4,624,761)	(524,491)
<b>Profit for the year</b>		<b>3,008,599</b>	<b>12,278,092</b>	<b>481,327</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

## Year ended 31 December 2008

	Share Capital	Accumulated Losses	Total
	US\$	US\$	US\$
Balance at 1 January 2007	22,000,000	(6,995,204)	15,004,796
Share capital issued	18,000,000	-	18,000,000
Net profit for the year	-	481,327	481,327
<b>Balance as at 31 December 2007</b>	<b>40,000,000</b>	<b>(6,513,877)</b>	<b>33,486,123</b>
Share capital issued	25,000,000	-	25,000,000
Net profit for the year	-	3,008,599	3,008,599
<b>Balance as at 31 December 2008</b>	<b>65,000,000</b>	<b>(3,505,278)</b>	<b>61,494,722</b>
<b>(KHR'000 equivalents)</b>	<b>265,265,000</b>	<b>(14,305,040)</b>	<b>250,959,960</b>

The accompanying notes form part of these financial statements.

## Year ended 31 December 2008

	Note	2008		2007
		US\$	KHR'000	US\$
<b>Cash flows from operating activities</b>				
<b>Net cash (used in)/generated from operating activities</b>	<b>21</b>	<b>(231,061,065)</b>	<b>(942,960,206)</b>	<b>184,251,212</b>
<b>Cash flows from investing activities</b>				
Premises and equipment purchased		(6,768,041)	(27,620,375)	(5,622,186)
Intangible assets purchased		-	-	(6,397)
Proceeds from disposal of premises and equipment		6,168	25,171	-
<b>Net cash used in investing activities</b>		<b>(6,761,873)</b>	<b>(27,595,204)</b>	<b>(5,628,583)</b>
<b>Cash flows from financing activities</b>				
Share capital issued		25,000,000	102,025,000	18,000,000
<b>Net cash from financing activities</b>		<b>25,000,000</b>	<b>102,025,000</b>	<b>18,000,000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(212,822,938)</b>	<b>(868,530,410)</b>	<b>196,622,629</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>293,973,915</b>	<b>1,199,707,547</b>	<b>97,351,286</b>
<b>Cash and cash equivalents at end of year</b>	<b>22</b>	<b>81,150,977</b>	<b>331,177,137</b>	<b>293,973,915</b>

The accompanying notes form part of these financial statements.

## 1. Organisation and Principal Activity

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.

On 4 February 2008, the Bank increased the share capital from US\$40,000,000 to US\$55,000,000. Subsequently, on 23 October 2008, the Bank increased additional paid-up share capital from US\$55,000,000 to US\$65,000,000. Accordingly, the shareholdings have changed, whereby 64% of the shares are now held by ANZ Funds Pty Ltd. and 36% of the shares are now held by Royal Group Finance Co., Ltd. The Bank's Memorandum and Articles of Association have been revised to reflect the change in the shareholdings and this has been approved by the Ministry of Commerce on 18 December 2008. Royal Group Finance Co. Ltd. has a share call back option which it may choose to exercise to bring its shareholding back to 45%. This option expired on 15 June 2008, but the option period was extended by a further twelve months at the request of Royal Group Finance Co., Ltd.

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

The Bank had 530 (2007: 376) employees as at 31 December 2008.

## 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 issued by 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 30 March 2009.

### (b) Basis of Measurement

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

### (c) Functional and Presentation Currency

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

### (d) Use of Estimates and Judgements

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

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

## 3. Significant Accounting Policies

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

### (a) Foreign Currency Transactions

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

### (b) Financial Instruments

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

### (c) Cash and Cash Equivalents

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

### (d) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, 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 balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances.

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

**(e) Impairment of Loans and Advances**

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

Impairment provisions are raised for exposures (excluding consumer lending), including off-balance sheet items such as commitments and guarantees that are known as 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 or the collective portfolio of loans 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.

However, in compliance with NBC Guidelines, impairment of loans and advances ("specific allowance") is made for individual loans and advances that are considered non-performing, and identified as sub-standard, doubtful or loss, as follows:

Classification	Number of months past due	Provision
Substandard	3 months to 6 months	10%
Doubtful	6 months to 12 months	30%
Loss	Excess of 12 months	100%

In determining the specific allowance, the value of any collateral other than cash deposits pledged is disregarded. In the case of a loan classified as a loss, the market value of collateral can be used to reduce the amount of the allowance, subject to approval by the NBC on a case-by-case basis. Accordingly, a notional transfer from the collective provision to specific provision occurs for NBC reporting purposes.

Interest on impaired loans and advances is recognised using the original effective interest rate, being the rate used to discount the estimated future cash flows for calculating impairment.

**(f) Leases**

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

All other leases are classified as operating leases. Operating 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 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 is amortised at rates based upon the straight-line method over the expected useful lives to the Bank. Amortisation is charged at a rate of 33.33% per annum.

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**

Items of premises and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

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 the income statement.

**(ii) Subsequent Costs**

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

**(iii) Depreciation**

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following annual rates:

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

Construction 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 on the balance sheet until disposed or written off.

**(i) Impairment of Assets**

**(i) Financial Assets**

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

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

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

All impairment losses are recognised in the income statement.

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

**(ii) Non-Financial Assets**

The carrying amounts of the 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 the income statement.

**(j) Provisions**

Provisions are recognised when the Bank has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Any expected third-party recoveries are recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**(k) Deposits from Customers and Banks**

Deposits from customers and banks are stated at placement value.

**(l) Income Recognition**

Interest income is recognised on an accruals basis. Interest income on overdrafts, term loans and other loans is recognised by reference to rest periods, which are either monthly or daily.

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

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

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

Fees and commissions that relate to the execution of a significant act (for example, advisory services, placement fees and underwriting fees) are taken to income when the fees are receivable.

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 revenue in the period in which the service is provided.

**(m) Interest Expense**

Interest expense on deposits and borrowings are recognised on an accruals basis.

**(n) Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates 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 are related to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(o) Employee Benefits**

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

**(p) Related Parties**

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

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

**(q) New Standards, Amendments and Interpretations not yet adopted**

The following new standards, amendments and interpretations to existing standards have been published, but are not yet

effective for the year ended 31 December 2008 and the Bank has not early adopted them:

- IFRS 8 *Operating Segments*, which is effective for financial statements for periods beginning on or after 1 January 2009, introduces the "management approach" to segment reporting. The adoption of IFRS 8 will not have any effect on the Bank's financial statements.
- Revised IAS 23 *Borrowing Costs*, which is effective for capitalisation of borrowing costs to qualifying assets commencing on or after 1 January 2009, removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of Revised IAS 23 will not have any effect on the Bank's financial statements prior to 1 January 2009.
- IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which is effective for financial statements for periods beginning on or after 1 July 2008, will not have any effect on the Bank's financial statements.
- IFRIC 15 *Agreements for Construction of Real Estates*, which is effective for financial statements for periods beginning on or after 1 January 2009, clarifies whether IAS 18, Revenue, or IAS 11, *Construction Contracts*, should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. The adoption of IFRIC 15 will not have any effect on the Bank's financial statements.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*, which is effective for financial statements for periods beginning on or after 1 October 2008, clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, state that the effects of changes in foreign exchange rates, do apply to the hedged items. The adoption of IFRIC 16 will not have any effect on the Bank's financial statements.
- Revised IAS 1 *Presentation of Financial Statements* (2007), which is effective for financial statements for periods beginning on or after 1 January 2009, introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive

income. The adoption of Revised IAS 1 will not have a significant impact on the presentation of the Bank's financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which are effective for financial statements for periods beginning on or after 1 January 2009, with retrospective application required, will not have any significant effect on the Bank's financial statements.
- Revised IFRS 3 *Business Combinations* (2008) has broadened the definition of a business which is likely to result in more acquisitions being treated as business combinations. Further, the Revised IFRS 3 will require contingent consideration to be measured at fair value, with subsequent changes therein recognised in profit or loss and transaction costs, other than share and debt issue costs, to be expensed as incurred. The revised IFRS 3 will also require any pre-existing interest in the acquiree to be measured at fair value with the gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. The Bank is required to adopt Revised IFRS 3 for business combinations which the acquisition date is on or after 1 April 2010, with prospective application required.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Bank in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Bank loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which are effective for financial statements for periods beginning on or after 1 July 2009, will not have any effect on the Bank's financial statements.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The Bank is required to adopt amendments to IFRS 2 for financial statements for periods beginning on 1 April 2009. The adoption of amendments to IFRS 2 will not have any effect on the Bank's financial statements.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* requires liability for dividend payable to be measured at the fair value of the assets to be distributed. When the

owners may elect to receive either non-cash asset or a cash alternative, the fair value of each alternative together with their associated probabilities is considered. IFRIC 17 also clarifies that liability for dividend distribution is recognised when dividend has been appropriately authorised and is no longer at the discretion of the Bank. IFRIC 17 is effective for financial statements for periods beginning on or after 1 July 2009, with prospective application required.

- *Reclassification of Financial Assets* (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*) permits the Bank to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the Bank upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits the Bank to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables if the Bank has the intention and ability to hold that financial asset for the foreseeable future. The amendments are effective for reclassification of financial assets made on or after 1 July 2008.

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

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,081 published by the NBC on 31 December 2008. 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**

	2008		2007
	US\$	KHR'000	US\$
<b>In Cambodia:</b>			
Cash on hand	25,051,747	102,236,180	20,004,810
Cash at banks			
National Bank of Cambodia	31,504,052	128,568,036	16,016,410
Other banks	315,335	1,286,882	333,851
	<b>56,871,134</b>	<b>232,091,098</b>	<b>36,355,071</b>
<b>Outside Cambodia:</b>			
Cash at banks			
Related parties	17,654,221	72,046,876	50,294,238
Others	1,625,622	6,634,163	1,534,520
	<b>19,279,843</b>	<b>78,681,039</b>	<b>51,828,758</b>
	<b>76,150,977</b>	<b>310,772,137</b>	<b>88,183,829</b>

The above amounts are analysed as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>(a) By currency:</b>			
US Dollar	68,653,484	280,174,868	85,725,252
Khmer Riel	2,512,848	10,254,933	1,547,458
Other	4,984,645	20,342,336	911,119
	<b>76,150,977</b>	<b>310,772,137</b>	<b>88,183,829</b>

	2008	2007
	<b>(b) By interest rate (per annum):</b>	
National Bank of Cambodia	-	-
Related parties	0% - 5.26%	0% - 4.13%

**6. Deposits and Placements with Banks**

	2008		2007
	US\$	KHR'000	US\$
<b>In Cambodia:</b>			
National Bank of Cambodia	5,000,000	20,405,000	5,000,000
Other	-	-	86,495
<b>Outside Cambodia:</b>			
Related parties	-	-	255,803,591
	<b>5,000,000</b>	<b>20,405,000</b>	<b>260,890,086</b>

The above amounts are analysed as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>(a) By maturity:</b>			
Within 1 month	5,000,000	20,405,000	173,790,086
2 to 3 months	-	-	37,000,000
4 to 6 months	-	-	41,100,000
6 to 12 months	-	-	9,000,000
	<b>5,000,000</b>	<b>20,405,000</b>	<b>260,890,086</b>
<b>(b) By currency:</b>			
US dollar	5,000,000	20,405,000	260,100,000
Khmer Riel	-	-	86,495
Other currencies	-	-	703,591
	<b>5,000,000</b>	<b>20,405,000</b>	<b>260,890,086</b>

	2008	2007
	<b>(c) By interest rate (per annum):</b>	
National Bank of Cambodia and other banks	2.67%	3.75% - 4.25%
Related parties	3.00% - 5.00%	4.14% - 6.70%

## 7. Net Loans and Advances

	2008		2007
	US\$	KHR'000	US\$
Term loans	169,639,874	692,300,326	94,846,437
Overdrafts	49,288,114	201,144,793	30,157,190
Housing loans	27,665,974	112,904,840	18,626,508
Trust receipts	1,263,355	5,155,752	2,650,950
Leasing	3,115,381	12,713,870	-
Credit cards	527,669	2,153,417	-
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>
Allowance for bad and doubtful loans and advances	(2,511,686)	(10,250,191)	(1,204,471)
Interest in-suspense	(275,339)	(1,123,658)	(91,741)
	<b>248,713,342</b>	<b>1,014,999,149</b>	<b>144,984,873</b>

The above amounts are analysed as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>(a) By maturity:</b>			
Within 1 month	55,338,167	225,835,060	30,344,780
2 to 3 months	9,053,022	36,945,383	5,478,468
4 to 6 months	2,210,604	9,021,475	4,286,278
7 to 12 months	6,575,074	26,832,877	6,716,734
1 to 3 years	33,342,680	136,071,477	14,138,837
4 to 5 years	116,828,972	476,779,034	67,867,535
More than 5 years	28,151,848	114,887,692	17,448,453
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>
<b>(b) By performance:</b>			
<b>Standard loans</b>			
Secured	244,516,229	997,870,731	145,248,976
Unsecured	423,004	1,726,279	448,866
<b>Sub-standard loans</b>			
Secured	6,447,488	26,312,199	117,500
<b>Doubtful</b>			
Secured	113,646	463,789	465,743
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>

## 7. Net Loans and Advances (continued)

The above amounts are analysed as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>(c) By economic sector:</b>			
<b>Commercial</b>			
Overdrafts	49,270,236	201,071,833	30,114,398
Loans	169,345,936	691,100,765	94,471,293
Trust receipts	1,263,355	5,155,752	2,650,950
Leasing	3,115,381	12,713,870	-
<b>Consumer</b>			
Overdrafts	17,749	72,434	12,073
Loans	27,960,041	114,104,927	19,032,371
Credit cards	527,669	2,153,417	-
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>
<b>(d) By industry:</b>			
Services	51,192,327	208,915,886	50,302,670
Wholesale and retail	72,166,083	294,509,785	26,599,954
Consumer items	26,655,476	108,780,998	15,682,498
Real estate	46,174,895	188,439,746	9,378,695
Construction	4,946,076	20,184,936	5,036,074
Food industries	110,010	448,951	2,508,513
Import and export	1,465,746	5,981,710	2,387,408
Manufacturing	19,872,253	81,098,664	33,333
Staff loans	2,010,661	8,205,508	1,215,849
Other	26,906,840	109,806,814	33,136,091
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>

On 26 June 2008, the National Bank of Cambodia issued Circular No. B7-08-001 with regard to the limitation of ceiling credits for the property sector with immediate effect. This Circular limits the amount of credit banking and financial institution can provide to the property sector to an amount not exceeding 15% of the total credit exposure. Property sector as defined by this Circular includes:

- Credit for the development of properties in commercial and residential sectors; and
- Credit for the business of properties in commercial and residential sectors.

As at 31 December 2008, the property sector represented 18% of the total credit exposure which is not in compliance with this Circular.

Subsequently, on 26 January 2009, the National Bank of Cambodia issued a new Circular No. B7-09-001 removing the limitation for lending to the property sector as stated in the above Circular.

## 7. Net Loans and Advances (continued)

The above amounts are analysed as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>(e) By currency:</b>			
<b>US Dollar</b>	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>
<b>(f) By residency status:</b>			
<b>Residents</b>	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>
<b>(g) By relationship:</b>			
Third parties	228,464,596	932,364,016	124,357,655
Staff loans	2,010,661	8,205,508	1,215,849
Related parties	21,025,110	85,803,474	20,707,581
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>
<b>(h) By exposure:</b>			
Large exposures	46,339,683	189,112,246	39,115,899
Non-large exposures	205,160,684	837,260,752	107,165,186
	<b>251,500,367</b>	<b>1,026,372,998</b>	<b>146,281,085</b>

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.

	2008		2007
<b>(i) By interest rate (per annum):</b>			
Overdrafts	9.00% - 15.00%		8.50% - 12.00%
Commercial loans	Base Rate + margin		SIBOR + margin
Consumer loans	9.5% - 10.90%		8.50% - 10.40%

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

	2008		2007
	US\$	KHR'000	US\$
At beginning of year	1,204,471	4,915,446	265,741
Additional provision made for year			
- Specific	678,843	2,770,358	151,473
- General	628,627	2,565,427	788,123
	<b>1,307,470</b>	<b>5,335,785</b>	<b>939,596</b>
Written off	(255)	(1,040)	(866)
<b>At end of year</b>	<b>2,511,686</b>	<b>10,250,191</b>	<b>1,204,471</b>

All loans and advances have been individually reviewed at 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

	2008		2007
	US\$	KHR'000	US\$
<b>Regulatory deposits on:</b>			
Minimum share capital	6,500,000	26,526,500	4,300,000
Customers' deposits	60,267,560	245,951,912	44,927,619
	<b>66,767,560</b>	<b>272,478,412</b>	<b>49,227,619</b>

The statutory deposits are maintained with the NBC in compliance with Article 5 of NBC Prakas No. B701-136, the amounts of which are determined by defined percentages of the Bank's registered share capital and customers' deposits with the Bank, which are 10% and 8% respectively.

On 25 April 2008, the National Bank of Cambodia promulgated Prakas No. B7-08-063 to increase the requirement of the statutory deposit on customers' deposits in currencies other than KHR from 8% to 16% of the average daily deposit balance effective from a base period of 27 June 2008. The 8% of statutory deposit on customers' deposits in currencies other than KHR earns interest at 3/4 one month period SIBOR while the remaining 8% and the statutory deposit on customers' deposits in KHR bears no interest.

The statutory deposit on registered share capital is refundable when the Bank ceases its operations in Cambodia. The statutory deposit on customers' deposits fluctuates depending on the level of the customers' deposits.

The statutory deposit on registered capital placed with NBC in US\$ earns interest at the rate of 3/8 six-month SIBOR with the effective annual rates in 2008 ranging from 1.18% - 1.89% (2007: 1.76% - 2.1%). The statutory deposit relating to customers' deposits does not earn interest.

Subsequently, on 26 January 2009, the National Bank of Cambodia issued a new Prakas No. B7-009-020. This Prakas changed the requirement of the statutory deposit on customers' deposits other than KHR from 16% to 12%. 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, Net

Deferred tax assets/(liabilities) comprise:

	2008		2007
	US\$	KHR'000	US\$
Tax losses	1,029,283	4,200,504	1,772,733
Provisions	325,859	1,329,830	232,383
Depreciation	(818,520)	(3,340,380)	(661,111)
	<b>536,622</b>	<b>2,189,954</b>	<b>1,344,005</b>

Tax losses can be carried forward for deduction from future taxable profit for five years. Tax losses expire as follows:

	US\$	KHR'000
<b>2010</b>	116,657	476,077
<b>2011</b>	912,626	3,724,427
	<b>1,029,283</b>	<b>4,200,504</b>

## 9. Income Tax (continued)

### (a) Deferred Tax Assets, Net (continued)

Movement in net deferred tax assets during the year is as follows:

	2008		2007
	US\$	KHR'000	US\$
Balance at beginning of year	1,344,005	5,484,885	1,649,476
Origination and reversal of temporary differences/utilisation of tax losses	(807,383)	(3,294,931)	(305,471)
<b>Balance at end of year</b>	<b>536,622</b>	<b>2,189,954</b>	<b>1,344,005</b>

The shareholders have provided a formal undertaking to implement business strategies to ensure that the Bank will fully utilise the tax benefits of the losses through the recording of profits against which the losses can be offset. Accordingly, a deferred tax asset on the estimated benefits arising from such tax losses has been recorded in the financial statements.

The calculation of losses for tax purposes is subject to the review and assessment by the tax authorities.

	2008		2007
	US\$	KHR'000	US\$
<b>(b) Income Tax Liability</b>			
Balance at beginning of year	31,000	126,511	11,410
Current tax expenses	325,859	1,329,830	219,020
Taxation paid	(324,964)	(1,326,178)	(199,430)
<b>Balance at end of year</b>	<b>31,895</b>	<b>130,163</b>	<b>31,000</b>
<b>(c) Income Tax Expense</b>			
Current tax expense	325,859	1,329,830	219,020
Origination and reversal of temporary differences/utilisation of tax losses	807,383	3,294,931	305,471
	<b>1,133,242</b>	<b>4,624,761</b>	<b>524,491</b>

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:

	2008		2007
	US\$	KHR'000	US\$
<b>Revenue</b>	<b>33,481,697</b>	<b>136,638,806</b>	<b>22,521,656</b>
Income tax using statutory rate	334,817	1,366,388	225,217
Reconciling differences	(8,958)	(36,558)	(6,197)
	<b>325,859</b>	<b>1,329,830</b>	<b>219,020</b>

## 10. Intangible Assets

	2008		2007
	US\$	KHR'000	US\$
<b>Computer and banking software</b>			
<b>Cost</b>			
At 1 January	295,011	1,203,940	285,864
Additions	-	-	6,397
Transfer from construction in progress	179,903	734,184	2,750
<b>Balance as at year ended</b>	<b>474,914</b>	<b>1,938,124</b>	<b>295,011</b>
<b>Less: Accumulated amortisation</b>			
At 1 January	195,015	795,856	97,424
Amortisation expense	129,359	527,914	97,591
<b>Balance as at year ended</b>	<b>324,374</b>	<b>1,323,770</b>	<b>195,015</b>
<b>Net book value</b>			
<b>At 31 December</b>	<b>150,540</b>	<b>614,354</b>	<b>99,996</b>

## 11. Other Assets

	2008		2007
	US\$	KHR'000	US\$
Interest receivable			
- Related parties	2,387	9,741	407,399
- Other	67,436	275,206	26,666
Deposits and prepayments	2,164,347	8,832,700	1,025,459
Due from related parties	96,165	392,449	3,401
Other	7,097	28,963	2,891
	<b>2,337,432</b>	<b>9,539,059</b>	<b>1,465,816</b>

## 12. Premises and Equipment

	Computers US\$	Furniture and Equipment US\$	Motor Vehicles US\$	Leasehold Improvements US\$	Construction In Progress US\$	Total US\$
<b>Cost</b>						
At 1 January 2008	6,923,012	2,476,672	565,743	5,471,955	1,525,620	16,963,002
Additions	-	-	-	-	6,768,041	6,768,041
Transfers/Reclassifications	2,451,934	801,835	281,045	3,279,926	(6,994,643)	(179,903)
Disposal	-	-	(12,500)	-	-	(12,500)
Written off	-	(18,450)	-	-	-	(18,450)
<b>At 31 December 2008</b>	<b>9,374,946</b>	<b>3,260,057</b>	<b>834,288</b>	<b>8,751,881</b>	<b>1,299,018</b>	<b>23,520,190</b>
<b>Less: Accumulated depreciation</b>						
At 1 January 2008	1,985,349	435,285	159,723	722,782	-	3,303,139
Depreciation charge for the year	1,550,855	302,626	149,302	722,654	-	2,725,437
Disposal	-	-	(8,906)	-	-	(8,906)
Written off	-	(5,253)	-	-	-	(5,253)
<b>At 31 December 2008</b>	<b>3,536,204</b>	<b>732,658</b>	<b>300,119</b>	<b>1,445,436</b>	<b>-</b>	<b>6,014,417</b>
<b>Net book value</b>						
<b>At 31 December 2008</b>	<b>5,838,742</b>	<b>2,527,399</b>	<b>534,169</b>	<b>7,306,445</b>	<b>1,299,018</b>	<b>17,505,773</b>
<b>At 31 December 2007</b>	<b>4,937,663</b>	<b>2,041,387</b>	<b>406,020</b>	<b>4,749,173</b>	<b>1,525,620</b>	<b>13,659,863</b>

	Computers KHR'000	Furniture and equipment KHR'000	Motor vehicles KHR'000	Leasehold improvements KHR'000	Construction in progress KHR'000	Total KHR'000
<b>Cost</b>						
At 1 January 2008	28,252,812	10,107,298	2,308,797	22,331,048	6,226,055	69,226,010
Additions	-	-	-	-	27,620,375	27,620,375
Transfers/reclassifications	10,006,343	3,272,289	1,146,944	13,385,378	(28,545,138)	(734,184)
Disposal	-	-	(51,013)	-	-	(51,013)
Written off	-	(75,294)	-	-	-	(75,294)
<b>At 31 December 2008</b>	<b>38,259,155</b>	<b>13,304,293</b>	<b>3,404,728</b>	<b>35,716,426</b>	<b>5,301,292</b>	<b>95,985,894</b>
<b>Less: Accumulated depreciation</b>						
At 1 January 2008	8,102,209	1,776,398	651,829	2,949,673	-	13,480,109
Depreciation charge for the period	6,329,039	1,235,017	609,301	2,949,151	-	11,122,508
Disposal	-	-	(36,345)	-	-	(36,345)
Written off	-	(21,438)	-	-	-	(21,438)
<b>At 31 December 2008</b>	<b>14,431,248</b>	<b>2,989,977</b>	<b>1,224,785</b>	<b>5,898,824</b>	<b>-</b>	<b>24,544,834</b>
<b>Net book value</b>						
<b>At 31 December 2008</b>	<b>23,827,907</b>	<b>10,314,316</b>	<b>2,179,943</b>	<b>29,817,602</b>	<b>5,301,292</b>	<b>71,441,060</b>
<b>At 31 December 2007</b>	<b>20,150,603</b>	<b>8,330,900</b>	<b>1,656,968</b>	<b>19,381,375</b>	<b>6,226,055</b>	<b>55,745,901</b>

## 12. Premises and Equipment (continued)

Under Prakas No. B7-01-186 issued by the NBC on 8 November 2001, fixed assets (which includes premises and equipment and intangible assets) acquired for operational purposes shall not exceed 30% of the net worth of the bank. As at 31 December 2008, the Bank had excess fixed assets of US\$163,790 (31.12.2007: US\$4,321,050) calculated as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>30% of net worth</b>	<b>17,492,523</b>	<b>71,386,986</b>	<b>9,438,809</b>
Net book value of			
Premises and equipment	17,505,773	71,441,060	13,659,863
Intangible assets	150,540	614,354	99,996
	<b>17,656,313</b>	<b>72,055,414</b>	<b>13,759,859</b>
<b>Excess</b>	<b>163,790</b>	<b>668,428</b>	<b>4,321,050</b>

## 13. Deposits from Other Banks

Deposits from other banks are in US Dollar and are due within one month.

## 14. Deposits from Customers

	2008		2007
	US\$	KHR'000	US\$
Current accounts	139,613,164	569,761,322	140,955,671
Savings deposits	72,305,296	295,077,913	239,792,535
Fixed deposits	137,614,841	561,606,166	139,663,420
	<b>349,533,301</b>	<b>1,426,445,401</b>	<b>520,411,626</b>

The above amounts are analysed as follows:

	2008		2007
	US\$	KHR'000	US\$
<b>(a) By maturity:</b>			
Within 1 month	279,499,555	1,140,637,684	464,917,130
2 to 3 months	38,911,709	158,798,684	47,172,818
4 to 6 months	24,929,517	101,737,359	6,044,201
7 to 12 months	6,192,520	25,271,674	2,277,477
	<b>349,533,301</b>	<b>1,426,445,401</b>	<b>520,411,626</b>
<b>(b) By type of customer:</b>			
Domestic corporations	141,463,114	577,310,968	248,536,178
Foreign corporations	20,218,742	82,512,686	19,911,098
Individuals	157,860,525	644,228,802	219,288,026
Others	29,990,920	122,392,945	32,676,324
	<b>349,533,301</b>	<b>1,426,445,401</b>	<b>520,411,626</b>

#### 14. Deposits from Customers (continued)

	2008		2007
	US\$	KHR'000	US\$
<b>(c) By relationship:</b>			
Third parties	326,342,479	1,331,803,656	492,132,134
Related parties	23,190,822	94,641,745	28,279,492
	<b>349,533,301</b>	<b>1,426,445,401</b>	<b>520,411,626</b>
<b>(d) By currency:</b>			
US Dollar	342,011,252	1,395,747,919	517,240,895
Khmer Riel	2,643,337	10,787,458	1,859,470
Other currencies	4,878,712	19,910,024	1,311,261
	<b>349,533,301</b>	<b>1,426,445,401</b>	<b>520,411,626</b>

	2008		2007
	US\$	KHR'000	US\$
<b>(e) By interest rate (per annum):</b>			
Savings deposits	0.50% - 1.00%		0.50% - 2.00%
Fixed deposits	4.00% - 6.00%		3.50% - 5.00%

#### 15. Payables and Other Liabilities

	2008		2007
	US\$	KHR'000	US\$
Deferred loan approval fees	1,337,066	5,456,566	766,650
Employee entitlements	1,078,440	4,401,114	1,008,876
Accruals	1,151,718	4,700,161	981,118
Interest payable	981,263	4,004,534	694,523
Banker's cheques	377,703	1,541,406	916,645
Due to related parties	136,674	557,767	1,197,438
Other tax payable	124,283	507,199	169,500
Deferred interest income	681,383	2,780,724	-
Others	219,531	895,906	44,465
	<b>6,088,061</b>	<b>24,845,377</b>	<b>5,779,215</b>

#### 16. Share Capital

	2008		2007
	US\$	KHR'000	US\$
<b>Shares of US\$100 each:</b>			
Issued and paid 650,000 shares (2007: 400,000 shares)	65,000,000	265,265,000	40,000,000

The Bank increased the paid-up capital from US\$40,000,000 to US\$65,000,000 through the issue of 150,000 and 100,000 shares on 4 February 2008 and 23 October 2008 respectively at US\$100 each.

#### 17. Interest Income

	2008		2007
	US\$	KHR'000	US\$
Loans and advances	20,145,870	82,215,295	8,847,489
Placement with banks	3,234,329	13,199,297	7,551,460
National Bank of Cambodia	491,270	2,004,873	271,009
	<b>23,871,469</b>	<b>97,419,465</b>	<b>16,669,958</b>

#### 18. Interest Expense

	2008		2007
	US\$	KHR'000	US\$
Deposits from customers	7,058,912	28,807,420	5,642,205
Other financial institutions	40,629	165,807	31,508
	<b>7,099,541</b>	<b>28,973,227</b>	<b>5,673,713</b>

#### 19. Net Fee and Commission Income

	2008		2007
	US\$	KHR'000	US\$
<b>Fee and commission income:</b>			
Trade and payment income	3,596,554	14,677,537	2,381,596
Lending fees	2,268,337	9,257,083	1,281,088
Other fees	2,733,667	11,156,095	1,608,595
	<b>8,598,558</b>	<b>35,090,715</b>	<b>5,271,279</b>
Fee and commission expense	(875,035)	(3,571,018)	(628,136)
<b>Net fee and commission income</b>	<b>7,723,523</b>	<b>31,519,697</b>	<b>4,643,143</b>
Foreign exchange gains	1,011,670	4,128,626	580,419
	<b>8,735,193</b>	<b>35,648,323</b>	<b>5,223,562</b>

## 20. Operating Expenses

	2008		2007
	US\$	KHR'000	US\$
<b>(a) Personnel</b>			
Salaries and wages	6,490,798	26,488,947	4,495,555
Performance reward scheme	960,253	3,918,793	694,080
Pension fund	106,827	435,961	51,050
Others	1,343,084	5,481,126	929,592
	<b>8,900,962</b>	<b>36,324,827</b>	<b>6,170,277</b>
<b>(b) Premises</b>			
Rent	860,209	3,510,513	540,560
Utilities and other outgoings	1,158,556	4,728,067	684,137
Amortisation of leasehold improvements	722,159	2,947,131	430,996
Others	373,101	1,522,625	257,956
	<b>3,114,025</b>	<b>12,708,336</b>	<b>1,913,649</b>
<b>(c) Computer</b>			
Data communication	628,971	2,566,831	494,434
Depreciation and amortisation	1,680,214	6,856,953	1,228,774
Computer-related expenses	838,795	3,423,122	657,862
	<b>3,147,980</b>	<b>12,846,906</b>	<b>2,381,070</b>
<b>(d) Other operating expenses</b>			
Advertising	1,104,732	4,508,411	840,992
Depreciation of motor vehicles, furniture and equipment	451,928	1,844,318	336,071
Travel	620,873	2,533,783	480,527
Postage and stationery	180,762	737,690	155,089
Professional fees	541,708	2,210,710	198,532
Telephone	276,204	1,127,189	180,224
Freight and cartage	32,922	134,355	26,703
Non-lending losses, frauds and forgeries	(9,674)	(39,480)	191,591
Inter-group expenses	787,321	3,213,057	721,123
Others	908,067	3,705,821	678,545
	<b>4,894,843</b>	<b>19,975,854</b>	<b>3,809,397</b>
	<b>20,057,810</b>	<b>81,855,923</b>	<b>14,274,393</b>

## 21. Cash Flows from Operating Activities

	2008		2007
	US\$	KHR'000	US\$
Profit before income tax	4,141,841	16,902,853	1,005,818
<b>Adjustments for:</b>			
Depreciation	2,725,437	11,122,508	1,898,250
Amortisation	129,359	527,914	97,591
Gain on disposal of premises and equipment	(2,574)	(10,504)	-
Premises and equipment written off	13,197	53,857	12,227
Provision for bad and doubtful loans and advances	1,307,470	5,335,785	939,596
<b>Operating profit before changes in operating assets and liabilities</b>	<b>8,314,730</b>	<b>33,932,413</b>	<b>3,953,482</b>
<b>Decrease/(increase) in:</b>			
Deposits and placements with banks	55,100,000	224,863,100	(32,100,000)
Loans and advances	(105,035,939)	(428,651,667)	(94,228,189)
Regulatory deposits	(17,539,941)	(71,580,499)	(29,904,374)
Other assets	(871,616)	(3,557,065)	10,482
<b>Increase/(decrease) in:</b>			
Deposits from customers	(170,878,325)	(697,354,444)	334,620,974
Deposits from other banks	(133,856)	(546,266)	143,511
Other liabilities	308,846	1,260,400	1,954,756
<b>Net cash (used in)/generated from operations</b>	<b>(230,736,101)</b>	<b>(941,634,028)</b>	<b>184,450,642</b>
Income taxes paid	(324,964)	(1,326,178)	(199,430)
<b>Net cash (used in)/generated from operating activities</b>	<b>(231,061,065)</b>	<b>(942,960,206)</b>	<b>184,251,212</b>

## 22. Cash and Cash Equivalents

	2008		2007
	US\$	KHR'000	US\$
Cash and bank balances	76,150,977	310,772,137	88,183,829
Deposits and placements with banks (with maturities of 3 months or less)	5,000,000	20,405,000	205,790,086
	<b>81,150,977</b>	<b>331,177,137</b>	<b>293,973,915</b>

## 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:

	2008		2007
	US\$	KHR'000	US\$
Bank guarantees	4,581,783	18,698,256	2,625,601
Letters of credit	22,741,872	92,809,580	30,588,381
Unused portion of loans and advances	28,953,186	118,157,952	15,934,192
Foreign exchange commitments	2,417,533	9,865,952	1,533,814
	<b>58,694,374</b>	<b>239,531,740</b>	<b>50,681,988</b>

## 23. Commitments and Contingencies (continued)

### (b) Lease Commitments

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

	2008		2007
	US\$	KHR'000	US\$
Within 1 year	818,400	3,339,890	737,000
1 to 3 years	1,108,198	4,522,556	975,527
4 to 5 years	664,011	2,709,829	389,238
More than 5 years	620,778	2,533,395	561,278
	<b>3,211,387</b>	<b>13,105,670</b>	<b>2,663,043</b>
<b>(c) Capital Expenditure</b>			
<b>Contracted for outstanding capital expenditure within one year</b>	<b>321,555</b>	<b>1,312,266</b>	<b>1,078,476</b>

### (d) 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 differing interpretations among numerous taxation authorities and jurisdictions.

These facts create risks of additional taxes through reassessment, fines, penalties and interest charges, which are substantially more significant in Cambodia than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of current tax legislation.

## 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:

	2008		2007
	US\$	KHR'000	US\$
Interest income	3,231,842	13,189,147	7,548,972
Interest expense	29,804	121,630	-
Rental expense	160,000	652,960	137,778
Purchase/transfer technology from ANZ Banking Group Limited	1,101,151	4,493,797	1,021,502

## 25. Financial Risk Management Policies

The guidelines and policies adopted by the Bank to manage the following risks that arise in the conduct of business activities are as follows:

### (a) Operational Risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems 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 management.

The operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its banking business.

### (b) Credit Risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending, hedging and investing activities.

The primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved, i.e. that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

The credit exposure arising from off balance sheet activities, i.e., commitments and contingencies, is disclosed in Note 23.

### (c) Market Risk

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

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

#### (i) Foreign Currency Exchange Risk

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

#### (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 Policies (continued)

### (c) Market Risk (continued)

#### (ii) Interest Rate Risk (continued)

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

	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
2008	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
<b>Assets</b>									
Cash and bank balances	19,280	-	-	-	-	-	56,871	76,151	5.26%
Deposits and placements with banks	5,000	-	-	-	-	-	-	5,000	3.12%
Loans and advances									
- Performing	54,814	11,643	1,528	7,117	144,384	25,453	-	244,939	9.41%
- Non performing	-	-	-	6,561	-	-	-	6,561	16.5%
- Specific provision	-	-	-	-	-	-	(678)	(678)	-
- General provision	-	-	-	-	-	-	(1,833)	(1,833)	-
- Interest in-suspense	-	-	-	-	-	(275)	-	(275)	-
Regulatory deposits	-	-	-	-	-	33,384	33,384	66,768	1.17%
Other assets	-	-	-	-	-	-	69	69	-
<b>Total assets</b>	<b>79,094</b>	<b>11,643</b>	<b>1,528</b>	<b>13,678</b>	<b>144,384</b>	<b>58,562</b>	<b>87,813</b>	<b>396,702</b>	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	14	14	-
Deposits from customers	279,500	38,912	24,929	6,192	-	-	-	349,533	1.90%
Income tax liability	-	-	-	-	-	-	32	32	-
Payables and other liabilities	-	-	-	-	-	-	4,055	4,055	-
<b>Total liabilities</b>	<b>279,500</b>	<b>38,912</b>	<b>24,929</b>	<b>6,192</b>	<b>-</b>	<b>-</b>	<b>4,101</b>	<b>353,634</b>	
	<b>(200,406)</b>	<b>(27,269)</b>	<b>(23,401)</b>	<b>7,486</b>	<b>144,384</b>	<b>58,562</b>	<b>83,712</b>	<b>43,068</b>	

## 25. Financial Risk Management Policies (continued)

### (c) Market Risk (continued)

#### (ii) Interest Rate Risk (continued)

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

	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
2007	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
<b>Assets</b>									
Cash and bank balances	-	-	-	-	-	-	88,184	88,184	-
Deposits and placements with banks	173,790	37,000	41,100	9,000	-	-	-	260,890	4.69%
Loans and advances									
- Performing	30,345	5,478	4,286	6,717	81,424	17,448	-	145,698	9.37%
- Non performing	-	-	-	-	-	-	583	583	16.50%
- Specific provision	-	-	-	-	-	-	(151)	(151)	-
- General provision	-	-	-	-	-	-	(1,053)	(1,053)	-
- Interest in-suspense	-	-	-	-	-	-	(92)	(92)	-
Regulatory deposits	-	-	-	-	4,300	-	44,927	49,227	1.26%
Other assets	-	-	-	-	-	-	981	981	-
<b>Total assets</b>	<b>204,135</b>	<b>42,478</b>	<b>45,386</b>	<b>15,717</b>	<b>85,724</b>	<b>17,448</b>	<b>133,379</b>	<b>544,267</b>	
<b>Liabilities</b>									
Deposits from other banks	-	-	-	-	-	-	148	148	-
Deposits from customers	377,244	47,523	6,044	2,277	-	-	87,324	520,412	1.96%
Income tax liability	-	-	-	-	-	-	31	31	-
Payables and other liabilities	-	-	-	-	-	-	5,779	5,779	-
<b>Total liabilities</b>	<b>377,244</b>	<b>47,523</b>	<b>6,044</b>	<b>2,277</b>	<b>-</b>	<b>-</b>	<b>93,282</b>	<b>526,370</b>	
	<b>(173,109)</b>	<b>(5,045)</b>	<b>39,342</b>	<b>13,440</b>	<b>85,724</b>	<b>17,448</b>	<b>40,097</b>	<b>17,897</b>	

#### 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.

## 25. Financial Risk Management Policies (continued)

### (d) Liquidity Risk (continued)

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

2008	Less than 1 month US\$'000	Between 1 and 3 months US\$'000	Between 3 months and 1 year US\$'000	Between 1 year and 5 years US\$'000	Over 5 years US\$'000	No fixed terms US\$'000	Total US\$'000
<b>Financial assets</b>							
Cash and bank balances	76,151	-	-	-	-	-	76,151
Deposit and placements with other banks	5,000	-	-	-	-	-	5,000
Loans and advances							
- Performing	54,814	11,643	8,645	144,384	25,453	-	244,939
- Non performing	-	-	-	6,561	-	-	6,561
- Specific provision	-	-	-	(678)	-	-	(678)
- General provision	-	-	-	(1,833)	-	-	(1,833)
- Interest in-suspense	-	-	-	-	-	(275)	(275)
Regulatory deposits	-	-	-	-	-	66,768	66,768
Other assets	-	-	-	-	-	69	69
	<b>135,965</b>	<b>11,643</b>	<b>8,645</b>	<b>148,434</b>	<b>25,453</b>	<b>66,562</b>	<b>396,702</b>
<b>Financial liabilities</b>							
Deposits from other banks	14	-	-	-	-	-	14
Deposits from customers	279,500	38,912	31,121	-	-	-	349,533
Income tax liability	-	-	-	-	-	32	32
Payables and other liabilities	-	-	-	-	-	4,055	4,055
	<b>279,514</b>	<b>38,912</b>	<b>31,121</b>	<b>-</b>	<b>-</b>	<b>4,087</b>	<b>353,634</b>
	<b>(143,549)</b>	<b>(27,269)</b>	<b>(22,476)</b>	<b>148,434</b>	<b>25,453</b>	<b>62,475</b>	<b>43,068</b>

## 25. Financial Risk Management Policies (continued)

### (d) Liquidity Risk (continued)

2007	Less than 1 month US\$'000	Between 1 and 3 months US\$'000	Between 3 months and 1 year US\$'000	Between 1 year and 5 years US\$'000	Over 5 years US\$'000	No fixed terms US\$'000	Total US\$'000
<b>Financial assets</b>							
Cash and bank balances	88,184	-	-	-	-	-	88,184
Deposit and placements with other banks	173,790	37,000	50,100	-	-	-	260,890
Loans and advances							
- Performing	30,345	5,478	11,003	81,424	17,448	-	145,698
- Non performing	-	-	-	583	-	-	583
- Specific provision	-	-	-	(151)	-	-	(151)
- General provision	-	-	-	(1,053)	-	-	(1,053)
- Interest in-suspense	-	-	-	(92)	-	-	(92)
Regulatory deposits	-	-	-	4,300	-	44,927	49,227
Other assets	-	-	-	-	-	981	981
	<b>292,319</b>	<b>42,478</b>	<b>61,103</b>	<b>85,011</b>	<b>17,448</b>	<b>45,908</b>	<b>544,267</b>
<b>Financial liabilities</b>							
Deposits from other banks	148	-	-	-	-	-	148
Deposits from customers	464,568	47,523	8,321	-	-	-	520,412
Income tax liability	-	31	-	-	-	-	31
Payables and other liabilities	-	-	-	-	-	5,779	5,779
	<b>464,716</b>	<b>47,554</b>	<b>8,321</b>	<b>-</b>	<b>-</b>	<b>5,779</b>	<b>526,370</b>
	<b>(172,397)</b>	<b>(5,076)</b>	<b>52,782</b>	<b>85,011</b>	<b>17,448</b>	<b>40,129</b>	<b>17,897</b>

### (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

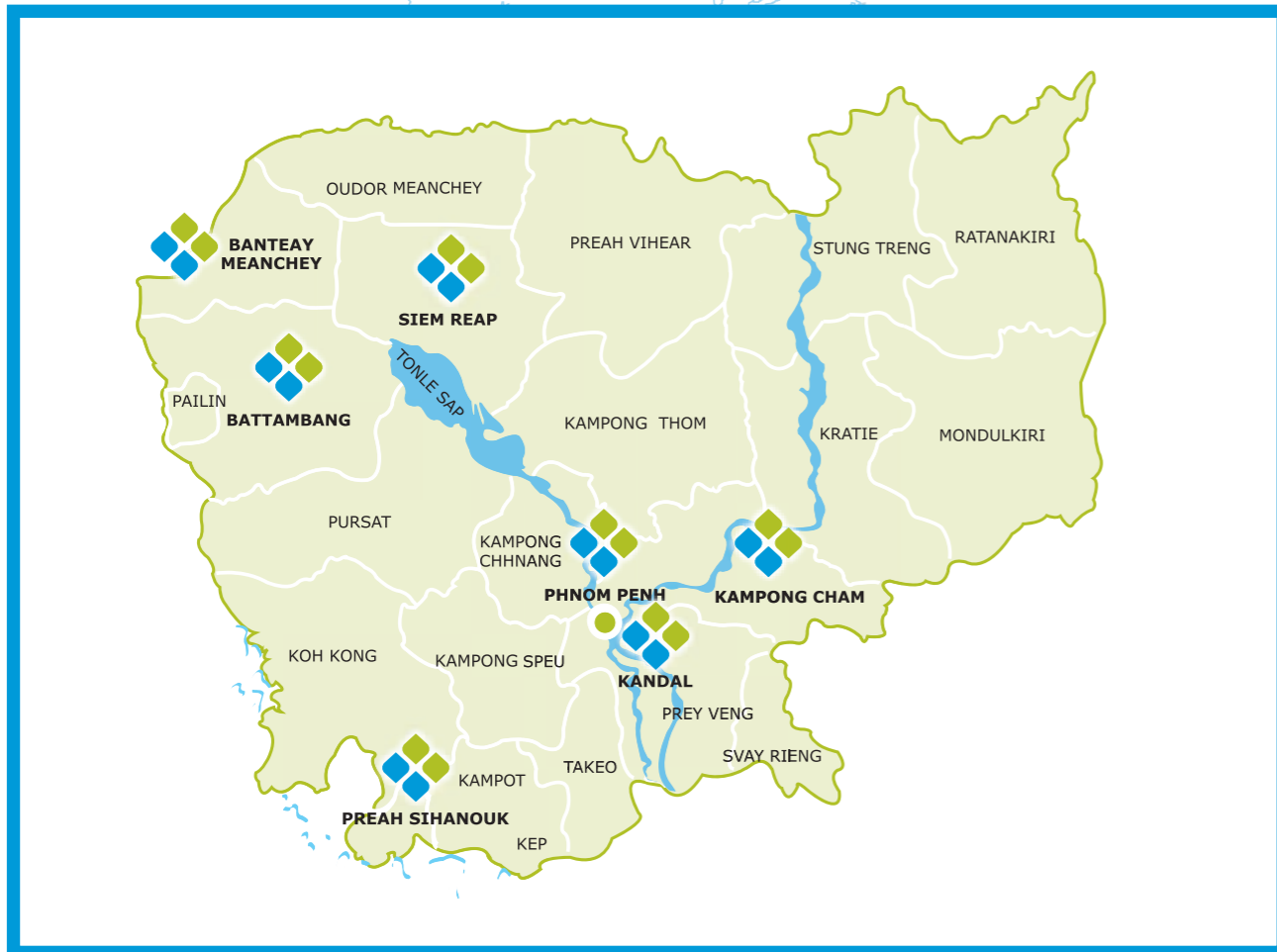
The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2008.

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		2008			2007
				Calculation (in figures)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
<b>CAPITAL</b>							
1	Equity to total assets	Equity	Total assets	61,494,722	417,162,246	14.74%	5.98%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	61,494,722	417,162,246	14.74%	5.98%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	61,494,722	269,219,027	22.84%	19.72%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	61,494,722	269,219,027	22.84%	19.72%
5	Net worth to total assets	Net worth	Total assets	58,308,411	417,162,246	13.98%	5.62%
6	Solvency ratio	Net worth	Risk weighted assets	58,308,411	269,219,027	21.66%	18.53%
7	Debts to total assets	Total liabilities	Total assets	355,667,524	417,162,246	85.26%	94.02%
8	Debt to equity	Total liabilities	Equity	355,667,524	61,494,722	578.37%	1,571.90%
9	Dividend to net profit	Dividend	Net profit	-	3,008,599	-	-
<b>ASSET QUALITY</b>							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	61,494,722	251,500,367	24.45%	22.89%
11	Banking reserve to total assets	Banking reserves	Total assets	61,494,722	417,162,246	14.74%	5.98%
12	NPL to total loans	NPL	Total loans (gross)	6,556,343	251,500,367	2.61%	0.40%
13	NPL to total assets	NPL	Total assets	6,556,343	417,162,246	1.57%	0.10%
14	Classified assets to total loans	Classified assets	Total loans (gross)	6,556,343	251,500,367	2.61%	0.40%
15	Classified assets to total assets	Classified assets	Total assets	6,556,343	417,162,246	1.57%	0.10%
16	Classified assets to equity	Classified assets	Equity	6,556,343	61,494,722	10.66%	1.74%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	3,035,771	251,500,367	1.21%	1.31%
18	Large exposure to total loans	Large exposure	Total loans (gross)	46,339,683	251,500,367	18.43%	17.85%
19	Loan to related parties to net worth	Loan to related parties	Net worth	3,035,771	58,308,411	5.21%	6.11%
20	Large exposure to net worth	Large exposure	Net worth	46,339,683	58,308,411	79.47%	83.00%
21	General provision to total loans	General provision	Total loans (gross)	1,833,329	251,500,367	0.73%	0.72%
22	Specific provision to total loans	Specific provision	Total loans (gross)	678,357	251,500,367	0.27%	0.10%
23	Specific provision to NPL	Specific provision	NPL	678,357	6,556,343	10.35%	25.97%
24	All allowances to total assets	Total all allowances	Total assets	2,511,686	417,162,246	0.60%	0.22%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	251,500,367	349,399,445	71.98%	28.11%

No.	Other Ratios	Formula by NBC		2008			2007
				Calculation (in figures)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
<b>EARNINGS</b>							
26	Return on assets	Net profit	Total assets	3,008,599	417,162,246	0.72%	0.09%
27	Return on equity	Net profit	Equity	3,008,599	61,494,722	4.89%	1.44%
28	Gross yield	Interest income	Total assets	23,871,469	417,162,246	5.72%	2.98%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	16,771,928	417,162,246	4.02%	1.96%
30	Other income to total assets	Other incomes	Total assets	9,610,228	417,162,246	2.30%	1.05%
31	Provision to total assets	Provisions	Total assets	2,511,686	417,162,246	0.60%	0.17%
32	Overhead to total assets	Non-interest expenses	Total assets	20,057,810	417,162,246	4.81%	2.55%
33	Net income before tax to total assets	Net income before tax	Total assets	4,141,841	417,162,246	0.99%	0.18%
34	Taxes to total assets	Taxes	Total assets	1,133,242	417,162,246	0.27%	0.09%
35	Interest margin to gross income	Interest income-Interest expense	Gross income	16,771,928	33,481,697	50.09%	48.83%
36	Non-interest income to gross income	Non-interest income	Gross income	9,610,228	33,481,697	28.70%	25.98%
37	Non-interest expense to gross income	Non-interest expense	Gross income	20,057,810	33,481,697	59.91%	63.38%
38	Times interest earned	Profit before tax + interest expense	Interest expense	11,241,382	7,099,541	1.58 times	1.18 times
<b>LIQUIDITY</b>							
39	Liquid asset	Liquid asset	Total assets	81,150,977	417,162,246	19.45%	62.35%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	355,667,524	417,162,246	85.26%	94.02%
41	Net liquid assets	Liquid assets - short-term liabilities	Total liabilities	(274,516,547)	355,667,524	-77.18%	-33.68%
42	Quick ratio	Quick assets*	Current liabilities	81,150,977	355,667,524	22.82%	66.32%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	349,399,445	251,500,367	138.93%	355.76%

# Branch Locations



## Phnom Penh

**Kramuon Sar Branch (Head Office):**  
20 Kramuon Sar & Corner of Street 67

**Independence Monument Branch:**  
100 Preah Sihanouk Boulevard  
Sangkat Boeng Keng Kang I, Khan Chamkarmorn

**Olympic Branch:**  
361 & 363 Preah Sihanouk Boulevard  
Sangkat Veal Vong, Khan 7 Makara

**Riverside Sales & Service Branch:**  
265 Sisowath Quay, Sangkat Chey Chumneas  
Khan Daun Penh

**Phsar Derm Thkov Branch:**  
616A+B, Street 271  
Sangkat Phsar Derm Thkov, Khan Chamkarmorn

**Pet Lok Sang Branch:**  
1A+1B, Street 271  
Sangkat Teuk Thla, Khan Russei Keo

**Teuk Thla Branch:**  
1E0 & 1E1, Street 110A  
Sangkat Teuk Thla, Khan Russei Keo

**Stung Mean Chey Branch:**  
23-25A, Street 217, Sangkat Stung Mean Chey  
Khan Mean Chey

**Chbar Ampoeu Branch:**  
35, National Road #1, Phum Doeum Sleng  
Sangkat Chbar Ampoeu II, Khan Mean Chey

**Chom Chao Branch:**  
1B, 2B and 3B, National Road #4  
Sangkat Chom Chao, Khan Dangkor

## Siem Reap

**Siem Reap Phsar Kandal Branch:**  
Lots 566, 568 and 570, Street Tep Vong  
Phum Mondul I, Khum Svay Dangkum

**Siem Reap Phsar Leu Branch:**  
556, Phsar Leu, National Road #6  
Phum Chong, Kavsou, Srok Siem Reap

**Siem Reap Old Market Agency:**  
218, Group 7, Mondul I, Khum Svay Dangkum

**Siem Reap International Airport Agency:**  
Airport Road, Phum Kok Doung, Khum Teuk Vil  
Srok Pouk

**Sihanoukville Branch**  
215, Vithey Ekreach, Sangkat 2, Khan Mittapheap

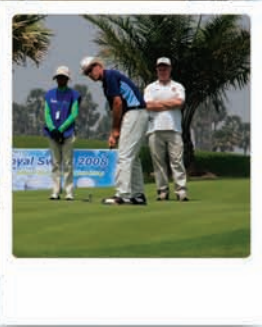
**Battambang Branch**  
2, 4 & 6 Street 1, Phum Mphey Usphea, Khum Svay Por  
Srok Battambang

**Poipet Branch**  
22, 23 & 24, National Road #5  
Phum Balelay, Sangkat Poipet, Srok O'Chrov  
Banteay Mean Chey

**Kampong Cham Branch**  
Preah Monivong & Neary Rath Kosamak Street, Phum  
12, Khum Kampong Cham, Srok Kampong Cham

**Takhmao Branch**  
1E0-E1-E2, near Takhmao roundabout, Khum Takhmao  
Srok Takhmao, Kandal

Or by phone on:  
Local: 023 999 000  
International: +855 23 999 000  
[www.anzroyal.com](http://www.anzroyal.com)  
SWIFT: ANZBKHPP



ANZ Royal Bank Swing 2008



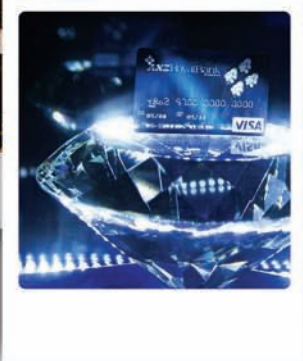
ANZ Royal Bank Emerald Credit Card Launch



ANZ Royal Bank's 100th ATM



ANZ Royal Bank Premier Thank You Event



ANZ Royal Bank Diamond Credit Card Launch

