



STRENGTH COMBINED WITH A DELICATE TOUCH

Hands can do remarkable things. Music is played by talented hands on finely crafted instruments. Delicate strokes made by artistic hands are able to turn a palette of colours into visually stunning works of art. With the strength of skilful hands hard stone can be transformed into mesmerizing and intricate patterns. Subtle movements of the hands can convey a story through dance. Like the skilful and talented hands of fine artists, the commitment, dedication and skills of CIMB Cambodia’s workforce fulfill and deliver the market needs of its customers.

Hard work leads to growth, which has received significant support from the continued improvements in the legal and regulatory environment. With GDP of 7.3% in 2012 (as of July 2012), the country is growing in every sector. The chance to perform well in this country has never been greater.

Since CIMB Bank commenced operations more than two years ago, we have experienced and embraced continuous change. Our local expertise and knowledge combined with our regional capabilities puts us in a better position than ever to serve our customers. With our corporate tagline– ‘ASEAN For You’, we have introduced a number of initiatives, most notably the Regional ATM Link for our customers to enable connectivity whenever they need to access our services in Malaysia, Indonesia, Singapore and Thailand. ‘ASEAN For You’ reflects our confidence in operating across borders as well as our expansion in the region.

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CORPORATE PROFILE

About CIMB Bank PLC
CIMB Bank PLC commenced operations in Cambodia on November 19, 2010 with the opening of the first commercial banking branch in the heart of Phnom Penh city. Today the bank has 11 branches and 17 ATM machines in five major cities throughout Cambodia; namely in Phnom Penh, Siem Reap, Sihanoukville, Battambang and Kampong Cham. We currently serve more than 4,000 corporate and individual customers. In 2012, innovative new services such as the Regional ATM Link was introduced in Cambodia. CIMB Bank PLC also leverages on the Preferred brand to grow the business for the affluent market in Cambodia. The bank now has over 100 Cambodian based employees with diverse experience and expertise from both the banking and financial industry and various industries as well. As good corporate citizens in Cambodia, CIMB Bank PLC supports numerous community and educational projects to benefit the communities we serve.

CIMB Bank in Cambodia is committed to building a strong and sustainable financial future for its customers and will constantly striving to create opportunities and value through innovative products and services. We pride ourselves on not only being a financial services provider, but also on being the preferred business partner to our customers and clients in Cambodia.

About CIMB Group
CIMB Group is Malaysia's second largest financial services provider and one of ASEAN's leading universal banking groups. It offers consumer banking, investment banking, Islamic banking, asset management and insurance products and services. Headquartered in Kuala Lumpur, the Group is now present in nine out of 10 ASEAN nations (Malaysia, Indonesia, Singapore, Thailand, the Philippines, Cambodia, Brunei, Vietnam and Myanmar). Beyond ASEAN, the Group has market presence in China,

Hong Kong, Bahrain, India, Sri Lanka, Australia, Taiwan, Korea, the US and UK.

CIMB Group has the largest retail branch network in ASEAN with more than 1,100 branches as at 30 September 2012. CIMB Group's investment banking arm is also emerging as the largest Asia Pacific-based investment bank following its recently announced purchase of RBS' Asia Pacific investment banking and cash equities operations.

CIMB Group operates its business through three main brand entities: CIMB Bank, CIMB Investment Bank and CIMB Islamic. CIMB Group is also the 97.9% shareholder of Bank CIMB Niaga in Indonesia, and the 93.7% shareholder of CIMB Thai in Thailand.

CIMB Group is listed on Bursa Malaysia via CIMB Group Holdings Berhad. It had market capitalization of approximately RM55.75 billion as at 30 September 2012. The Group has over 43,000 employees located in 18 countries.



OUR VALUES

CUSTOMER-CENTRIC

We exist to serve our customers and we sell products and services that our customers understand and value.

HIGH PERFORMANCE

We work hard and we work strategically for customers, staff and other stakeholders.

ENABLING PEOPLE

We empower and align our people to innovate and deliver value in their workplace as well as for the community they serve.

STRENGTH IN DIVERSITY

We have respect for different cultures, we value varied perspectives and we recognize diversity as a source of strength.

INTEGRITY

We are honest, respectful and professional in everything we do because integrity is the founding value of CIMB Group.



Cambodia has always been renowned for its rich cultural legacy. In recent years it is emerging as an important economic and political power in the region.

MESSAGE FROM THE CHAIRMAN

Cambodia has always been renowned for its rich cultural legacy. In recent years it has emerged as an important economic and political power in the region. It successfully hosted the 20th ASEAN Summit and 7th East Asia Summit in 2012. Political stability and investment friendly policies have created an attractive investment environment in Cambodia. Cambodia has achieved rapid economic growth, achieving GDP of 7.3% in 2012. The growth has come from many sectors. The tourism industry has continued to grow with foreign arrivals exceeding 2 million per year since 2007, while in 2012 rubber exports increased by about 12% due to continued demand for raw rubber, particularly from China, Malaysia and Vietnam. CIMB is investing in Cambodia because we see Cambodia continuing on its upward trajectory and believe our platform is best suited to support both Cambodian based businesses internally, as well as seeking to connect with the region and regional businesses seeking opportunities in Cambodia.

CIMB Bank PLC began its commercial banking journey in the Kingdom of Cambodia just over two years ago. Since embarking on that journey we have established 11 branches, whereby 4 new branches were established in 2012. We also have four Preferred centres, 17 Automated Teller Machines (ATM), 11 Cash Deposit Machines (CDM) and 11 Cheque Deposit Terminals (CDT) in five major cities across the country: Phnom Penh, Siem Reap, Krong Sihanouk, Battambang and Kampong Cham. Beside the four new branches, other operational highlights of 2012 included the increase in bank assets from USD89.5 million to USD165.6 million, as a result of growth of loans from USD42.4 million to USD84.6 million, and the increase in deposits from USD49.6 million to USD98.4 million year-on-year. This rapid expansion underscores our commitment to having a strong presence to enable us to offer effective and efficient services in the Cambodian market. We have also introduced many innovative products and services to meet our individual and corporate customer needs including: Dual Currency Investment, Regional ATM Link and Preferred Banking. With more than 100 highly trained bank employees, we pride ourselves on placing our customers' satisfaction first. Over two years, our commercial banking journey has seen our customer base grow to 7,358 customers.

We offer clients easy access to our services wherever they are in the region, represented by our tag line ASEAN For You. Our customers can access our branch network of more than 1,100 branches in ASEAN countries. As an ASEAN Bank we understand our customers and we harness the power of the scale and diversity of our ASEAN platform to provide regional benefits. CIMB Bank PLC also takes pride in our corporate citizenship and continues to contribute to numerous community and educational projects. In 2012 our staff volunteered to participate in blood donation campaigns and conducted knowledge sharing seminars with school children in rural communities. We also continued our support to the activities of the Cambodian Red Cross.

On behalf of the Board of Directors and as Chairman of CIMB Bank PLC, I would like to take this opportunity to express our deepest appreciation to the National Bank of Cambodia and other regulators, our customers, policy makers and other stake holders for their continuous support of CIMB Bank PLC throughout the year. Last but not least, I would like to thank the management and staff of CIMB Bank PLC, for their outstanding performance in 2012. I am very proud to be able to rely on a professional and dedicated team who will be forging the future of CIMB Bank PLC in Cambodia and taking it to even greater heights.

DATO' SHAARANI IBRAHIM
Chairman

PERFORMANCE REVIEW BY
GENERAL MANAGER



OPERATING ENVIRONMENT 2012

The growth rate for the Cambodian economy increased by about 7% in 2012 which nevertheless represents a favourable outcome when compared to the 2011 figure of 6.1%. The inflation index remained at 5%. Foreign Direct Investment (FDI) is expected to continue to increase to USD0.75 billion, together with foreign reserves which increased to USD3.46 billion reflected by the growth of total banking deposits and loans of 24% and 30% respectively compared to last year.

Economic Indicators	2008	2009	2010	2011	2012*	2013F
GDP (in USD billion)	11.3	10.9	11.6	13.0	14.3	15.8
Inflation Index	25.0%	-0.7%	4.0%	5.0%	5.2%	3.6%
Export (in USD billion)	4.71	4.30	5.20	4.87	5.86	6.86
Import (in USD billion)	6.51	5.88	6.80	6.60	7.88	8.94
FDI (in USD billion)	0.80	0.52	0.60	0.68	0.75	0.82
Banking Deposits (in USD billion)	2.5	3.3	4.3	5.2	6.4	n/a
Banking Lending (in USD billion)	2.4	2.5	3.2	4.2	5.5	n/a
Foreign Reserve (in USD billion)	2.16	2.37	2.65	3.03	3.46	3.87

Source: IMF, World Bank, & ADB
*Estimation

The economic growth was the result of strong growth in the agriculture sector, which contributed 30% of all GDP, strong exports in the garment sector, continuing increases in construction investment, and growth in the tourism industry. In particular, garment exports reached USD4.7 billion which is 10% growth year-on-year. Investment in construction rose 74% in the first eight months of the year compared to the same period last year. The number of tourists also registered remarkable growth of 24% year-on-year for the first nine months of 2012 and is estimated to reach above 3 million for the whole year.

There is a growing acceptance of banking services and products, as reflected by the rapid growth in deposits and loans, averaging over 30% annually over the last five years in the banking industry; total banking assets to GDP stood at above 70%. In addition, Cambodian consumers are not shy to adopt new products and services as reflected by amongst others the rapid expansion and adoption of self-service terminals. Recently, the National Bank of Cambodia launched its online reporting system, which improved reporting times and the accuracy of information on the condition of banking and financial institutions. The newly run Credit Bureau Cambodia (launched on March 19, 2012) will play an increasingly important role in helping to safeguard and reduce credit risk and support the growth of the banking system. As the banking business continues to grow, reflecting the continuous growth of the private sector; this also raises the potential financial risk and the challenges involved in the supervisory capacity, which indicates that the central bank has a very important role in supporting growth and ensuring fair competition in the accelerated banking industry. The National Bank of Cambodia has recently increased the rate of reserve requirements from 12% to 12.5%, signifying a move to tighten the monetary policy and to take precautionary measures to address the credit boom in recent months.

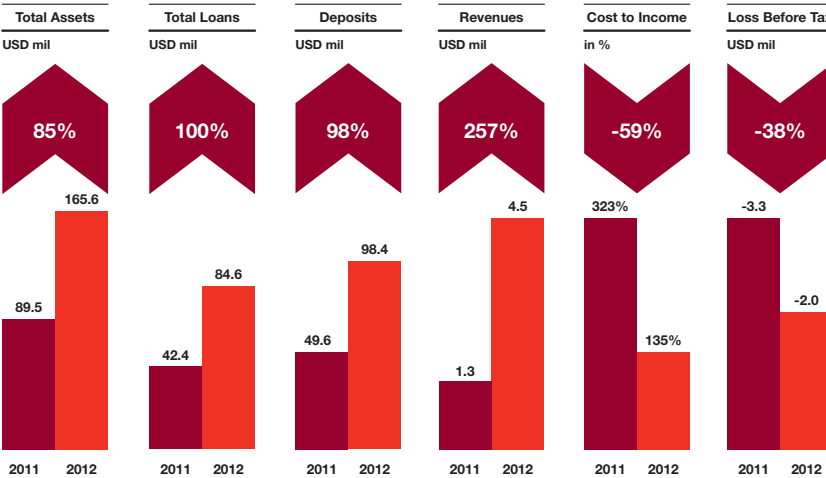
By year end, there were 39 commercial and specialized banks in the country with the growth of microfinance institutions, increasing competition in the market. Despite the increased competition, CIMB Bank PLC managed to almost double in 2012 from our base year 2011; both gross loans and deposits increased, by 100% and 98% respectively.

Over the past decade, Cambodia has quickly escalated to become one of the most attractive markets in South East Asia.

OUR PERFORMANCE IN 2012

We have achieved strong growth resulting in the increase of CIMB Bank PLC’s revenue by 257% year-on-year to USD4.5 million. This is the result of the strong expansion in total gross loan assets of 100% to USD84.6 million which is supported by the growth in customers’ deposits of 98% to USD98.4 million. The Bank’s before tax loss was USD2.0 million; 38% better than the previous year and we are proud to state that we have achieved our initial business plan one year ahead of time. Our record results were achieved by focusing on the main key areas below:

- Managing the quality of our portfolio alongside maintaining zero NPL ratios;
- Diversifying our portfolio across the economic sectors;
- Managing the position of our balance sheet;
- Good control of our operating costs and reduction of the cost to income ratio from 323% to 135%.



Our financial results also improved with the introduction of CIMB Preferred, our banking services for affluent customers in the Cambodian market. This is a result of the additional benefits offered to our affluent customers across CIMB Group’s ASEAN network. We now have 800 preferred accounts with Assets Under Management (AUM) of USD31 million.

We were the first bank to introduce dual currency investment (DCI) to facilitate customers with foreign currency needs. We also provide gold deposit account products in addition to foreign currency accounts to facilitate customers who wish to diversify their deposits and investments, etc.

In mid 2012, we increased investment in our core-banking system to include the trade finance module; which has the ability to enhance our customer service capacity, thus improving value for customers. In the second half of 2012, we launched our regional ATM service, which is another regional benefit for our existing and potential

customers, enabling them to enjoy our regional ATM network of more than 4,800 ATMs across CIMB’s network across the region with no service fee charged.

To further support our business growth, we rolled out another four new branches in Phnom Penh, Battambang and Kampong Cham respectively, bringing our branch network to a total of 11 branches by the end of 2012 and we have recruited another 54 Cambodian personnel and provided learning and development programs for 116 staff, including 22 high performance staff participating in regional programs in Singapore and Malaysia in 2012.

OUTLOOK FOR 2013

Gross domestic product (GDP) is forecast to grow at around 7% with the inflation rate remaining around 3%. Exports will remain the main source of growth, though demand for garment imports to the US and the EU is expected to slow-down; the overall sector is forecast to likely maintain above 10% year-on-year growth. The new manufacturing industries which have started to emerge including automotive parts and assembly of small electric motors coupled with the expected strengthening in construction investments, simulated by direct foreign investment flows into the country, also account for the forecast growth.

The exchange rate for US dollar/Khmer riel will be maintained within the fluctuation limits to a band of plus or minus 1%. The banking sector is expected to continue to expand in spite of the high level of dollarization. New players will continue to enter the market in 2013 as the market remains huge due to the number of residents without bank accounts. Bank lending and deposits have also gained momentum after a slow down in 2009–2010 reflecting average growth of 40% for 2011 and 2012. This shows that there is the prospect of growth occurring at a similar pace for 2013 alongside growth in GDP.

2013 will be CIMB Bank PLC’s third year of operations in Cambodia. We will be focusing on ‘doing it right’ following the strategic priorities listed below:

- Continuous expansion of our customer base by leveraging all the infrastructure built over the past two years and looking for potential strategic business areas to continue establishing our network for the convenience of our customers;
- To continue building our sales organization by focusing on relationship building rather than product pushing to our existing and potential customers;
- Strengthening our customer service standards by leveraging on our ISO certificates for ‘Customer Service’;
- To continue building a learning organization through our in-house programs with the world class institutions in the region and beyond with the focus on building a strong Cambodian team;
- Constant improvements in our audit and compliance ratings;
- Introducing more wealth management products and service offerings that are suitable for the Cambodian market.

Finally, I would like to express my most sincere appreciation to all our loyal customers, our board of directors, my fellow Cambodian management team and staff for their support and commitment throughout the year. Last but not least, my gratitude and sincere appreciation to the Royal Government of Cambodia and the National Bank of Cambodia for their continuing support.

YEW WAN KUP
General Manager

MESSAGE FROM THE GROUP CHIEF EXECUTIVE



CIMB Cambodia had a successful 2012, and was one of the fastest growing banks in Cambodia. Expanding rapidly from a small base, we opened four new branches with seven ATMs in Phnom Penh, Kompong Cham and Battambang.

On behalf of CIMB Group, I would like to congratulate the management and staff of CIMB Cambodia in closing another successful year. 2012 marks the second full year of operations and we are delighted that we are making good progress. While the bank has yet to break even, mainly due to establishment costs, we see the potential for positive results in the near future, based on performance last year and the long term prospects of the Cambodian economy.

In 2012, we were the first bank in Cambodia to offer enhanced yield products such as the dual currency investments. We look to better serve our customers in Cambodia by introducing more banking products and services. As a regional universal bank in ASEAN,

we will also continue to provide our customers in Cambodia with access to our network, regional markets, investors and businesses.

We laud the Cambodian government's decision last year to establish a Financial Sector Development Strategy. This blueprint will enable Cambodia's financial sector to integrate into the regional financial system and support its long-term economic development agenda. The blueprint also fits well with CIMB Group's strategy to be the facilitator of intra-regional trade and investment, and to provide universal banking services to our customers across ASEAN.

On behalf of CIMB Group, I would like to express our gratitude to the Government of Cambodia, the National Bank of Cambodia and all our customers and stakeholders for their continuous support and commitment throughout 2012.

We look forward in delivering the very best of "ASEAN For You" to all our customers in Cambodia.

NAZIR RAZAK
Group Chief Executive

With great enthusiasm and persistence, the Bank was able to show once again that it is the fastest growing bank in Cambodia.



CIMB staff team building in Siem Reap



CIMB Group CEO with participants of the ASEAN Young Leader Summit in September 2012, Jakarta, Indonesia, which included four top students from Cambodia



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Just like the artistic hands of an artist mixing colours to bring life to his work of art, at CIMB we put together our regional skills and knowledge to offer the best of innovative products and services to the banking landscape in Cambodia.

COMMERCIAL BANKING

CIMB Bank PLC's Commercial Banking is responsible for fulfilling the banking needs of corporations and large multinationals, as well as of small businesses.

CIMB Bank PLC is a subsidiary of CIMB Group, the fifth largest universal banking group in ASEAN with offices in eight of the ten ASEAN nations. The Group employs 42,000 staff and serves 14 million customers in 17 countries worldwide.

With its extensive network and ASEAN universal banking platform, CIMB is uniquely positioned to facilitate regional trade and investment flows. As an integral part of CIMB Group, CIMB Bank PLC benefits from strong linkages to the rest of the region, as well as the sharing of international best practices in all facets of financial services.

CIMB Bank PLC is committed to providing financial support and regional exposure to Cambodia's growing number of businesses, large and small. Commercial Banking represents a key component of the Bank's overall business, accounting for 43% of its total loans and 61% of its total deposits. This represents an increase of USD14.43 million and USD22.05 million in Commercial Banking total loans and deposits respectively compared to the year before.

Commercial Banking operates in parallel with the Bank's Retail Banking business, and has a network of 11 branches throughout Cambodia.

Our key success

Commercial Banking, in its third year of operations continues to invest in physical infrastructure and human capital to serve its customers better.

As at end-2012, the staff strength of Commercial Banking grew to eight from four the year before. The majority of our staff are Cambodian nationals, reflecting CIMB Group's long-standing principle of developing local capabilities and leadership in all its key markets.

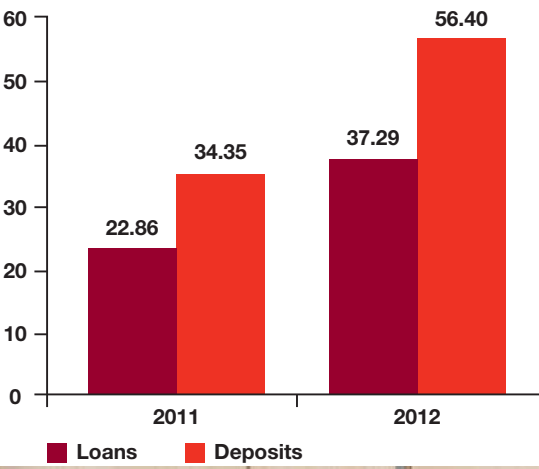
CIMB Bank PLC will continue to develop local talents via the transfer of technical expertise and the highest standards of corporate governance. We are grateful to CIMB Group for providing guidance in these, and

in many other areas, through the secondment of its senior staff from across ASEAN. Our local staff have benefited greatly from their experience and banking knowledge, and we continuously adapt these best practices to suit the local environment.

We would like to record our highest appreciation to the National Bank of Cambodia (NBC) for its continued support and guidance. The NBC has been instrumental in facilitating the establishment of CIMB Bank PLC. Its progressive stance on banking regulations and supervision has been key to the sustainable growth of the Cambodian banking sector, and we look forward to building on the excellent relationship we share with NBC going forwards.

Our performance in 2012

Commercial Banking performed well in 2012, underpinned by strong loans and deposits growth. As at end-2012, Commercial Banking's total loans portfolio stood at USD37.29 million while deposit balances were USD56.40 million. We are delighted that this robust growth was accompanied by strong asset quality with no loan impairments reported since the inception of CIMB Bank PLC.



Plans for 2013

Moving forward, we will build on the strong fundamentals of 2012 with the aim of doubling our income in 2013. This will be primarily driven by loans and deposits growth, enabled by continued improvements in our banking capabilities, operating systems and processes. We will also further expand our training programs to enhance our human capital – our most important resource. We will introduce new products and improve on existing ones as we find better ways to serve the Cambodian business community.

The outlook for the Cambodian economy in 2013 is positive, and we are confident that our growth will be supported by rising demand for banking products and services. We are also cognisant of the increasing levels of interest amongst foreign investors, and will leverage on CIMB Group's unparalleled ASEAN network to facilitate more trade and investment flows, which will benefit the economy and the people of Cambodia.

Products in Commercial Banking

1. Term Loan
2. Overdraft
3. Bank Guarantee
4. Letter of Credit
5. Other Trade Finance Products and Services
6. Current Account
7. Fixed Deposit
8. Foreign Currency Account
9. Dual Currency Investment

RETAIL FINANCIAL SERVICES

In the past 12 months Retail Financial Services has progressed further, to realize our long-term goal to become one of CIMB's best ASEAN franchises. The team has worked tirelessly, strengthening our foundations and introducing new services and products. We have expanded our network and have opened four more new branches in November, deployed ten more ATMs, four more cash deposit and check deposit machines to simplify banking with CIMB for our customers.

CIMB is one of the leading regional banks in ASEAN. CIMB customers will be able to enjoy and experience CIMB regional banking services such as Preferred Regional Banking, Regional ATM Link and more to come. This year, the CIMB Classic golf tournament entertained three Preferred Banking customers by allowing them to watch many of the world's best players, including Tiger Woods, compete in Malaysia in the only PGA sanctioned event outside of the USA.

In 2012 CIMB Bank PLC had many remarkable achievements worthy of mention:

- Deposits grew by 180% to USD42 million;
- Loans grew by 140% to USD47 million;
- Opened four new branches: two in Phnom Penh, one in Battambang and one in Kampong Cham;
- Launched Regional ATM Link, which allows customers to withdraw money without charge in Malaysia, Singapore, Thailand, Indonesia and Cambodia;
- Rolled out investment products such as Dual Currency Investment;

- Deployed ten more ATMs; four in branches and six offsite;
- Deployed four Cash Deposit Machines and Check Deposit Machines;
- Launched CIMB@work package;
- Signed up many privilege merchants for Preferred Banking customers;
- Continual improvement of processes and policies.

Currently in the country, the bank has a total of eleven branches (seven in Phnom Penh, one in Sihanoukville, one in Siem Reap, one in Battambang and one in Kampong Cham) of which four are equipped with Preferred Banking facilities to service affluent customers. In all 11 branches, we have deployed ATM, cash and check deposit machines to allow customers to do banking 24/7.

Our Plan for Year 2013

Continue building our infrastructure and bringing more innovative products and services to Cambodia.

- Introduce higher return investment products;
- Deploy more ATM, Cash Deposit and check deposit machines;
- Introduce more daily banking products;
- Create more value added package for our Preferred customers;
- Offer more Retail package for our deposit customers;
- Launch Regional payment system;
- Continue strengthen our electronic banking services.



TREASURY

Treasury supports the Bank’s main business activity, working to improve the net worth of the Bank by managing funds in the most appropriate manner. This is the foundation setting the framework that drives the treasury functions.

Treasury’s primary function includes asset and liability management, managing the Bank’s reserves, raising working capital, investing surplus funds, forecasting net interest income (NII) and measuring the Bank’s interest rate risk (IRR) or sensitivity to changes in prevailing interest rates.

Treasury is responsible for funding the Bank’s balance sheet through a number of creative strategies which is done in conjunction with the Bank’s business unit, and also manages the timely availability of the funds needed for the support of the Bank’s business.

Treasury front office also handles foreign exchange, structured products, and investment business, which are an increasingly significant contribution to the Bank’s non-interest income. Treasury works closely with business units to explore opportunities to increase revenue through deeper cross selling of Treasury products with other product offerings for corporate and individual customers. In addition, leveraging on regional capabilities and co-operation across countries, Treasury is able to provide expert cross border solution to regional clients for their trade, investment, as well as financial management requirements. Interest rate and derivatives products are another growing sector that the Bank is looking into.

Treasury is a key head office function that enables business managers to focus on their key areas of expertise within the Bank’s portfolio.



Treasury Department & Preferred Banking Team

STRATEGIC SUPPORT

STRATEGY & FINANCE

Strategy & Finance’s key successes/ achievements for 2012

Strategy & Finance is responsible for developing and executing accounting policy and procedures to comply with the Cambodian Accounting Standard and guidelines stipulated by the National Bank of Cambodia, and managing the project initiatives as well as financial measurement and reporting.

In term of financial accounting, we are ensuring that all the Bank’s accounting processes are accurate, transparent, and properly maintained. We also ensure compliance at all times with the regulatory reporting to the National Bank of Cambodia as well as tax declarations to the General Tax Department of Cambodia and timely accurate group/management reporting.

Business planning and budgeting is annual exercise to ensure the on-going concern of the business, though controlling the budget is a day-to-day exercise to ensure we are reaching our target. Rigorous control costs is one of our main focuses on the payment side through ensuring that the Bank disbursements to vendors are valid and safeguarding against unauthorized payment; in addition to ensuring that payments that have been made are within the budget.

Cost management is a core initiative for the consumer banking business; cost and benefit framework have been set-up and implemented throughout the Bank’s projects and initiatives to ensure the efficiency and effectiveness of the investment.

We are looking at the internal banking process and project initiatives across each functional department or division. One item of those is the KPI framework, which is set annually.

Strategy & Finance’s high level plan for 2013

To ensure that initiative move forward we will focus on strengthening our treasury business finance area by looking at supporting the growth of the structure products and governance on the treasury trading position. In addition to this, fund transfer pricing and cost allocation exercises are also in our implementation plan in order to provide a better measurement of the performance of different business units of the Bank and better measurement for the Bank’s products and services pricing.

Streamlining internal processes and systems will be continuing for next year together with ensuring our quality of customer service and maintaining our first bank with ISO certified banking service.

The investor relations factsheet framework will be re-defined and published on a regular basis in order to ensure communication alignment between the Bank’s staff and their customers.

CORPORATE RESOURCES

The Corporate Resources oversees both Human Resource and Administration & Property Management.

Whilst Human Resource handles the people agenda and delivers HR business partner services to various stakeholders, the Administration & Property Management deals with property management, procurement, security on the premises, and other administrative functions.

The operations of Corporate Resources also involve working closely with relevant local legislations; hence, all legal matters are always in check to embrace our compliance culture.

Our Staff and Management

We deem our staff as the most important asset in our organization and throughout the years we have been pleased to note how teamwork in the organization has resulted in us having a good team. We continue to support the growth of our employees by adding value to their experiences and creating opportunities for them. High potential employees are also considered for the Group’s regional leadership programs.

Our Management team is a combination of experienced and young talents who are committed to achieving our vision. Together, management and staff strive for the continuous growth of the Bank.

Our Working Environment

CIMB embraces the belief that when people grow, the organization grows too. We nurture our own talent and provide a learning environment for our colleagues and leaders: both structured, via personal development plans and career paths, and unstructured and on-the-job. We also leverage our regional leadership and professional learning platforms to network CIMB employees across the regions. Furthermore, we have in place a graduate programme as well as the Global Employee Mobility Programme where staff are given the opportunity to be assigned at the Group’s other regional offices.

Whilst we work hard we also remember to have fun. On a yearly basis, as part of our capacity team building efforts, staff and members of our management team are motivated through an outdoor excursion which helps them to further build rapport.

INFORMATION & OPERATIONS

Information & Operations works hand-in-hand in delivering bank wide support to retail branches and back office departments. In today’s IT-driven business era, Information & Operations takes care of technology infrastructure, applications, and information services and information security.

Information & Operations, together with GIOD-GT (Group Information Operations Division – Group Technology), is the architect, builder, ‘middleman’ of the many integration projects, and on-going support provider to business units.

Information & Operations helps facilitate the introduction of alternative delivery channels i.e. Automatic Teller Machines, Cash Deposit Machines, and recently the Regional ATM Link to link CIMB Cambodia’s ATM network with regional hub that includes Malaysia, Indonesia, Singapore and Thailand.

Its directive is to strengthen operation of business units while at the same time putting in place strategic plans to expand and secure the supporting infrastructure for BAU operations and upcoming projects. With the support from GIOD-GT, Information & Operations progressively works to align with CIMB Group’s directions and towards a single CIMB goal.

RISK MANAGEMENT

Risk Management is an important discipline at the core of every financial institution.

At CIMB Bank PLC, Risk Management functions independently and works directly with two relevant risk committees, Cambodia Credit and Risk.

Risk, which convenes monthly, is a board delegated committee that administers and supervises the implementation of the Bank’s risk management activities. Cambodia Credit, which is empowered by the Board to consider and decide on credit applications meets on a weekly basis.

Overall, Risk Management is responsible for the administration of day-to-day risk management functions as well as the monitoring and control of the Bank’s risk exposure.

Credit Risk

Credit risk is the possibility of losses occurring due to the obligor or counterparty failing to perform its contractual obligations to the Bank. Such risks arise from the distribution of loans, trade financing as well as commitments to support clients’ obligations to third parties, i.e. guarantees.

Risk Management provides independent evaluation of credit applications prior to submissions to the Cambodia Credit Committee for deliberation and decision. Cases beyond the delegated authority of the Cambodia Credit Committee are recommended to the Board of Directors for final decision.

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings, shareholder funds or the Bank’s reputation arising from the Bank’s inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they are due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

Liquidity risk is primarily monitored and managed on the basis of cash flow projections i.e. by forecasting the respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Risk Management is responsible for independently monitoring the Bank’s liquidity risk profile and provides monthly reports to the Risk Committee, in order for the Bank to review its liquidity position and ability to meet daily operating needs and regulatory requirements.

Operational Risk

Operational risk encompasses risks of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The CIMB Group Operational Risk Management strategy is based on a strong risk framework which provides good overall guiding principles and philosophy with a good governance structure to inculcate a proactive risk management culture as a continuous effort to manage operational risk.

Operational Risk Management advises and guides all departments to ensure that policies and procedures are observed on all projects and day to day operations of the Bank. Each department within



IT & Operations

the Bank is responsible for ensuring compliance with existing regulations and policies from NBC and the Group respectively.

Any non-compliance and/or operational risk situation within the Bank is promptly reported to Risk Management within 24 to 48 hours of the detection of the events so that proper actions can be taken to address the matter.

The Group conducts customised training on a regular basis to facilitate staff understanding of the Group policies as adopted by the Bank and on revisions tailored to suit the local market. Policies are regularly reviewed and updated.

Market Risk

Market risk refers to the fluctuation in the value of the portfolio arising from changes in market risk factors and their associated volatilities. The Bank's market risks primarily arise from changes in the foreign exchange rate and interest rates. It is the Bank's policy not to hold any proprietary positions to maintain a lower level of risk.

The Bank's regular activities of making loans and taking deposits with different maturity dates and interest rates inevitably expose the Bank to structural interest rate risk. Interest rate risk arises primarily from the different maturity dates and re-pricing of cash flows.

Interest rate risk is currently measured by the interest sensitivity gap (or re-pricing gap). Risk Management is responsible for independently reviewing and monitoring the interest rate risk profile of the Bank.

MARKETING & COMMUNICATIONS

Marketing & Communications play an important role in driving the Bank's communications agenda to enhance CIMB's profiling and brand consistency in Cambodia. Marketing & Communications consists of Brand Management Marketing, Public Relations, Media Management, Internal Communications, Events Management & Sponsorship, and Corporate Responsibility.

Marketing & Communications oversees internal communications between the various departments and external communications activities to enhance the Bank's reputation and promote its products and services. Marketing & Communications is also responsible for all corporate identity matters in line with the Group's Marketing & Communications guidelines to deliver aligned and consistent messages. Marketing & Communications organized various corporate responsibility events such as the Angkor Bike Race and Ride to help disadvantaged children receive an education, the Phnom Penh Half Marathon to assist the disabled community, other sponsored charitable events, blood donation drives and donations to support education for children in Cambodia. In addition, Marketing & Communications is responsible for the planning and execution of all corporate events such as the launch of branches, micro marketing events, customer networking activities and media interviews. Our priority in 2013 is to continue to enhance the bank's value proposition and consistently enforce our position across Cambodia.

PRODUCT
LAUNCH

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DUAL CURRENCY INVESTMENT

One investment. Two currencies. Extraordinary returns.

Capitalise on exchange rate fluctuations with the Dual Currency Investment from CIMB, your unique opportunity to earn potentially higher returns than on regular deposits. Simply pair US Dollars with one of seven other currencies to maximise your returns. What's more, there are no sales charges or annual fees. If you have children who are studying abroad, or if you often send money overseas, this investment is ideally suited to you. From ASEAN's leading universal bank.

Step 1. Pair your investment currency of US\$ with an alternate currency:

Step 2. Choose your investment term (1 week, 2 weeks or 1 month)

Step 3. Choose your Foreign Exchange conversion rate or the related preferred investment returns

Step 4. Decide on your investment amount (minimum US \$25,000)

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CIMB CAMBODIA
IN THE NEWS



Press conference for the opening of new four new branches in Phnom Penh, Battambang and Kampong Cham in November 2012.



CIMB Thai hosted dinner for the CIMB Cambodia BOD meeting in March 2012.

EVENT
HIGHLIGHTS



BLOOD DONATION
9 JUNE 2012
CIMB Bank PLC staff participating in the Blood Donation Day campaign.



TOWN HALL MEETING
20 JUNE 2012
Yew Wan Kup, CIMB Bank PLC General Manager at a Town Hall meeting with staff in Phnom Penh to share updates and information. Staff also have the opportunity to provide personal feedback at the meeting.

YOUTH MENTORING
21 OCTOBER 2012
CIMB Bank PLC staff sharing their knowledge and experience with students in Prey Veng.



INNOVATION WORKING GROUP CYCLING EVENT
01 SEPTEMBER 2012
CIMB Bank PLC team organized a group cycling event to promote team work among staff and also to promote healthy lifestyles.



MANAGEMENT TEAM BUILDING

09 SEPTEMBER 2012

CIMB management team gets together at Kirirom for 'Live & Breathe CIMB Core Value' workshop which was initiated and led by Mr. Yew Wan Kup, General Manager, CIMB Bank PLC (back row, 3rd from right) and Mr. Bun Yin, Deputy General Manager & Head, Commercial Banking (second row, 3rd from left).





MALAYSIAN RETAILER CHAINS ASSOCIATION

OCTOBER 1, 2012

CIMB Bank PLC hosted the Malaysian Retailer Chains Association (MRCA) during their visit to Cambodia. MRCA actively promotes and exchanges information about retail innovations with their overseas counterparts.



4 NEW BRANCHES IN CAMBODIA

16 NOVEMBER 2012

Dato' Shaarani Ibrahim, Chairman CIMB Bank PLC and Dr Mey Kalyan, Director CIMB Bank PLC, with the Cambodian management team during the launch of 4 new branches in 2012 – 2 in Phnom Penh, 1 in Battambang and 1 in Kampong Cham.

ANNUAL MANAGEMENT DIALOGUE MEETING

13 DECEMBER 2012

CIMB Bank PLC management team sharing and discussing the year end results.



TEAM BUILDING FOR CIMB BANK PLC STAFF

05 JANUARY 2013

CIMB Bank PLC organized a team building session for its staff in Siem Reap to promote a good working environment for its team.



STATEMENT ON

CORPORATE GOVERNANCE

The Board of Directors (the Board) believes that strong corporate governance is essential for delivering sustainable value, enhancing business integrity and in maintaining investors' confidence towards achieving the Bank's corporate objectives and vision.

Effective corporate governance structure and culture are critical elements in determining how the Bank functions and this has been continuously emphasised to all its employees. The governance framework adopted by the Bank is developed based on the principles and best practices recommended by the *Prakas* on Governance in Banks and Financial Institutions and the *Prakas* on Fit and Proper Regulatory Requirements for Applying to Entities and Licensed Banks and Financial Institutions (the *Prakas*) issued by the National Bank of Cambodia (NBC), and international best practices in corporate governance, where applicable.

BOARD OF DIRECTORS

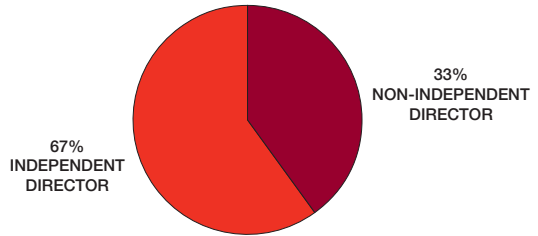
THE BOARD AND BOARD BALANCE

The Board currently has six members, with one Executive Director and five Non-Executive Directors, of whom four are Independent Directors. The Board confirms it has the appropriate number of Independent Directors who bring strong independent judgement to the Board's discussions. The Board is also committed to the collective decision making process.

The Board benefits from the contribution of each of the Non-Executive Directors in all areas of the Bank's businesses. In addition to their wide range of skills and business experience, the Non-Executive Directors also bring independent judgement in the deliberations on issues of strategy, audit, performance and risk.

The structure and composition of the Board are in line with the requirements of the *Prakas* issued by the NBC.

Board Composition



To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and Executive Director/General Manager (ED/GM) are distinct and separate with a clear division of responsibilities between the Chairman and the ED/ GM, so that no individual or group dominates the decision-making process.

The Chairman

The Board is led by the Chairman, Dato’ Shaarani Ibrahim. Dato’ Shaarani Ibrahim is responsible for the leadership and management of the Board and for ensuring the effective functioning of the Board and its committees. He assumes the formal role of a leader and chairs all Board meetings, leads discussions amongst Directors and provides leadership to the Board in its oversight of management. The Chairman facilitates the flow of information between Management and the Board, and in consultation with Management, sets the agenda for each Board meeting.

Executive Director/General Manager

Yew Wan Kup, is the ED/GM of the Bank. He has overall responsibility for the implementation of the Bank's strategy and for carrying out the Board's direction, managing the businesses of the Bank and driving performance within strategic goals and commercial objectives. He heads the Management Committee and leads the management team in carrying out the corporate strategy and vision of the Bank. As ED/GM, he is accountable to the Board for the day-to-day operations of the Bank's business.

BOARD OF DIRECTORS' SIZE AND COMPOSITION

The Board is committed to regularly reviewing the size and composition of the Board, taking into account the scope, nature, diversity and expansion of the business of the Bank.

The Board considers and confirms that the present size of the Board is deemed appropriate to oversee the overall businesses of the Bank. The current Directors bring to the Board a wealth of knowledge, experience and skills to drive the Bank towards the vision of the Group.

The Directors of the Bank have met the criteria for the appointment of Directors as set out in the *Prakas*. All Independent Directors demonstrate sound and independent judgement and do not participate in any business transaction that may impair their independent judgement and decision-making.

Brief backgrounds of each Director are presented on pages 44 to 46 of the Annual Report.

DIRECTORS' CODE OF ETHICS

The Board of Directors observes the Code of Ethics set out in the *Prakas* issued by the NBC.

The Directors of the Bank adhere to the Code of Ethics, which provides guidance for proper standards of conduct and sound and prudent business practices as well as the standards of ethical behaviour for Directors, based on the principles of integrity, responsibility, sincerity and corporate social responsibility.

DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board is the ultimate decision-making body of the Bank, with the exception of matters requiring shareholders' approval. It sets the strategic direction and vision of the Bank. The Board takes full responsibility for leading, governing, guiding and monitoring the entire performance of the Bank and enforces standards of accountability, all with a view to enabling Management to execute its responsibilities effectively.

The Board has overall responsibility for putting in place a framework of good corporate governance within the Bank, including the processes for financial reporting, risk management and compliance. All Board members bring their independent judgement, diverse knowledge and experience in deliberating on issues pertaining to strategy, performance, resources and business conduct.

The Board has adopted a schedule of matters specifically reserved for the Board's approval which include, amongst others, reviewing and approving the following:

- Strategic/business plans and annual budget.
- New investments, divestments, mergers and acquisitions, corporate restructuring, including the establishment of subsidiaries, joint ventures or strategic alliances both locally and abroad.

- Annual financial statements and interim dividends and recommending the final dividends payable to shareholders prior to public announcements and publications.
- Appointment of new Directors and Chief Executive Officer and their emoluments and benefits.

The overall principal responsibilities of the Board are as follows:

- Providing clear objectives and policies within which the senior executives of the Bank are to operate.
- Ensuring that there are adequate controls and systems in place to facilitate the implementation of the Bank's policies.
- Monitoring Management's success in implementing the approved strategies, plans and budget.
- Understanding the principal risks of all aspects of the businesses in which the Bank is engaged and ensuring that systems are in place to effectively monitor and manage these risks with a view to the long-term viability and success of the Bank.
- Monitoring and assessing development which may affect the Bank's strategic plans.
- Reviewing the adequacy and integrity of the Bank's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Avoiding conflicts of interest and ensuring disclosure of possible conflicts of interest.
- Upholding and observing banking and relevant laws, rules and regulations.

Apart from the aforesaid principal responsibilities of the Board, the Board has also delegated specific responsibilities to Committees. While the Committees have the authority to examine particular issues, they will report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matters lies with the entire Board.

The terms of reference and responsibilities of the Committees are set out on pages 30 to 32.

APPOINTMENTS TO THE BOARD

The Bank leverages on the Group Nomination and Remuneration Committee which resides at CIMB Group Holdings Berhad. The Group Nomination and Remuneration Committee is responsible for identifying and nominating suitable candidates for appointment to the Board for approval, either to fill vacancies or as additions to meet the changing needs of the Bank. Before recommending an appointment to the Board, the Group Nomination and Remuneration Committee undertakes a thorough and comprehensive evaluation of the candidate based on the set of criteria adopted by the Board. The Bank also takes into account the Bank's businesses and matches the capabilities and contribution expected for a particular appointment.

The appointment process is conducted in accordance with the *Prakas* and the Group's Policies and Procedures on Fit and Proper for Key Responsible Persons (Fit and Proper Policy). The Fit and Proper Policy sets out a formal process for the appointment of Directors, Chairman and Chief Executive Officer. Proper assessments are conducted on candidates and the Group Nomination and Remuneration Committee confirms that the candidates are fit and proper for their respective roles.

The Fit and Proper Policy also outlines the following criteria for assessment of the suitability of the candidate for appointment:

- (i) Probity, personal integrity and reputation, where the candidate must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- (ii) Competence and capability, where the candidate must have the skills, working experience, capability and commitment necessary to carry out the role.
- (iii) Financial integrity, where the candidate must manage his debts or financial affairs prudently.

The process for identifying and nominating candidates for appointment involves the following five stages:

NOMINATION FRAMEWORK



Proposals for the appointment and re-appointment of Directors are subject to NBC's vetting and prior approval.

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each year, one-third of the Directors retire from office at the Annual General Meeting, and being eligible, may offer themselves for re-election at the Annual General Meeting. In addition, the Memorandum and Articles of the Bank requires that all Directors retire from office at least, once every three years, but shall be eligible for re-election at the Annual General Meeting. Proposals for the re-appointment and re-election of Directors are recommended by the Group Nomination and Remuneration Committee to the Board prior to the shareholder's approval at the Annual General Meeting.

MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

The Board meets regularly to discuss business strategy, financial performance, matters pertaining to compliance and governance as well as reports on matters deliberated by the respective Committees. On a quarterly basis, amongst others, the Board reviews the financial performance of the Bank, risk management and compliance reports and approves the quarterly results of the Bank at its meeting. Board meetings are scheduled in advance each year to facilitate Directors' planning of their schedules. Meeting papers on the proposals and various reports are delivered to the Board prior to the Board meetings, giving Directors sufficient time to evaluate the proposals and, if necessary, request additional information to facilitate them in discharging their duties effectively. Procedures have been established concerning the format, content, presentation and delivery of meeting papers. The meeting papers clearly address the background, objective, key issues, rationale, impact and other information relevant to each proposal to enable the Board to reach an informed and effective decisions.

Directors have access to all information within the Bank. Through regular Board meetings, the Board receives updates on the development and business operations of the Bank, as well as comprehensive sets of papers, which include regular business progress reports and discussion documents related to specific matters.

Directors are also allowed to participate in Board meetings via teleconference. All deliberations at Board meetings, including dissenting views, are duly minuted as records of their proceedings. The Board decisions are communicated to Management within one working day of the Board meeting to ensure that the decisions and directions are executed in a timely manner. The draft minutes are circulated to the Directors for their review and comments before the final minutes are tabled for confirmation at the next Board meeting.

At the Board meetings, the ED/GM provides a comprehensive explanation of significant issues relating to the Bank's business and financial performance. The Chairman of the Audit Committee provides a summary of the audit reports deliberated at the Audit Committee meetings for the Board's notation. Significant audit findings by Group Internal Audit are also forwarded to the Board for discussion and direction. In addition, the Head of Compliance reports on the status of compliance with laws, regulatory requirements and internal policies and

procedures adopted by the Bank. Management is also invited to present proposals and answer queries raised by the Board on a needs basis. Management takes immediate action on all matters arising from the Board meeting and updates the Board on the status of these matters at the next Board meeting, or if deemed urgent, via circulation of memorandum.

Any Director who has an interest in any proposal or transaction that comes before the Board declares his interest and abstains from deliberation and voting on the proposal or proposed transactions. This process is duly recorded in the minutes of the proceedings.

A total of four Board meetings were held in 2012 and the Directors' attendance at the meetings was as follows:

<i>No. of Meetings</i>	Attended	Held
Directors		
Dato’ Shaarani Ibrahim <i>Chairman/Independent Non-Executive Director</i>	4	4
Goh Nan Kioh <i>Independent Non-Executive Director</i>	3	4
Dato’ Wira Zainal Abidin Mahamad Zain <i>Independent Non-Executive Director</i>	4	4
Yew Wan Kup <i>Non-Independent Executive Director & General Manager</i>	4	4
Peter England <i>Non-Independent Non-Executive Director</i>	4	4
Mey Kalayn* <i>Independent Non-Executive Director</i>	2	2
* Appointed on 28 June 2012		

At the beginning of the financial year, the Board of Directors considers the Bank's annual budget in line with the Bank's strategies and plans formulated at the Annual Management Dialogue.

TRAINING AND DEVELOPMENT OF DIRECTORS

Directors' Training is an integral element of the process for appointment of new Directors and the Board is mindful of the need to keep pace with new laws, regulations, accounting standards, changing commercial risks, latest market trends and developments, key challenges in domestic and regional markets and the banking industry. To this end, the Board evaluates training needs on a continuous basis and determines areas that would further Directors' understanding of the issues facing the Bank.

Listed below are the training sessions that the Directors attended, both in Cambodia and in the South-East Asia region, to keep abreast of latest developments:

List of Course Attended	Type of Course	Number of Hours
Corporate Governance CIMB Corporate Governance Today and Directions Moving Forward	Forum	1 day
Seminar on regulatory updates, governance and current issues for Directors of PLCs and body corporate 2012	Forum	1 day
Seminar on making sense of the law governing directors and its implications	Forum	Half day
Seminar on audit committee, expanded governance oversight role: Are you equipped?	Forum	1 day
Financial Institutions Directors' Education Program (Insurance)	—	—
Leadership and Transformation Management CIMB Bank PLC: Mini Annual Management Dialogue	Forum	Half day
Group Annual Management Summit	Forum	1 day
Dick Kovacevich Private Dialogue and Dinner	Forum	—
Training on Pillar 2/ICAAP under Basel II for Senior Management: Part 1	Course	1 day

List of Course Attended	Type of Course	Number of Hours
Leadership and Transformation Management (continued) IDC Kuala Lumpur Banking Roundtable 2012	Forum	1 day
16th Malaysian Banking Summit – Charting the Future Direction of Banking and Finance in the New Era	Forum	2 days
CIMB ASEAN Conference 2012	Forum	1 day
19th ASEAN Banking Conference 2012	Forum	1 day
14th National Payment Advisory Council (NPAC) Meeting	Forum	1 day
Workshop to discuss Risk-Adjusted Performance Metrics	Forum	1 day
Baker Tilly Australian Property Seminar	Forum	1 day
FIDE Elective Program: ICAAP Program	Forum	4 days

During the year under review, regular updates on development in legal matters, disclosure and accounting standards, corporate governance and best practices were also provided to the Directors.

COMPANY SECRETARIES

The Company Secretaries demonstrate ongoing support in advising and assisting the Board on matters relating to the affairs of the Bank, including issues pertaining to corporate compliance, corporate governance and best practices, boardroom effectiveness and Directors’ duties and responsibilities. During the year under review, various Board processes were reviewed with a view to enhancing the Board’s decision making processes and the effective functioning of the Board.

The Company Secretaries ensure that the Board, Committees and Shareholders’ meetings are properly convened in accordance with the laws and good practices and that records of proceedings at the Board, Committees’ and Shareholders’ meetings are duly minuted and kept.

The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Committees and Senior Executives, apart from assisting the Chairman in formulating the agenda and conduct of Board, Committees and Shareholder’s meetings.

All Directors have full access to the advice of the Company Secretaries and may seek independent professional advice at the Bank’s expense in furtherance of their duties. An approved procedure has been established in facilitating the Directors in seeking independent professional advice.

COMMITTEES

The Board delegates specific responsibilities to the Committees comprising the Audit Committee and Risk Committee. The said Committees operate within clearly defined roles and responsibilities as set out in the duly approved formal terms of reference of each of the Committees.

The Committees report to the Board on their deliberations, findings and recommendations. The chairmen of the Audit Committee and Risk Committee report to the Board on matters dealt with at their respective Committee Meetings. The Board accepts that while these Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by these Committees are brought to the attention of the Board, who are collectively responsible for the Bank’s success, business, strategy, risk management, operational and financial performance.

Further details on the Committees are set out in the following sections.

AUDIT COMMITTEE

The Audit Committee is comprised solely of Independent Non-Executive Directors with who have financial knowledge and experience.

The key responsibilities of the Audit Committee are to ensure high corporate governance practices whilst providing oversight on the Bank’s financial reporting, disclosure, regulatory compliance, risk management and monitoring of internal controls processes within the Bank. The Audit Committee meets regularly to,

amongst other things, review the quarterly results, full year financial statements and audit reports which include observations pertaining to risk management and internal controls, as well as related party transactions.

The Audit Committee met 4 times in 2012 and the attendance of the Audit Committee members was as follows:

No. of Meetings			
Members	Attended	Held	
Goh Nan Kioh* <i>Chairman/Independent Non-Executive Director</i>	2	2	
Dr. Mey Kalyan** <i>Chairman/Independent Non-Executive Director</i>	2	2	
Dato’ Shaarani Ibrahim <i>Independent Non-Executive Director</i>	4	4	
Dato’ Wira Zainal Abidin Mahamad Zain <i>Independent Non-Executive Director</i> <i>* Resigned on 04 September 2012</i> <i>** Appointed on 04 September 2012</i>	4	4	

The terms of reference of the Audit Committee are as follows:

Area	Responsibilities
Internal control/risk management/governance	To review the effectiveness of internal controls, risk management processes and governance within the Bank’s group, taking into account the requirements in the <i>Prakas</i> on Governance in Banks and Financial Institutions.
Internal Audit	<div><div>a. To ensure the internal audit function is well placed to undertake review or investigation on behalf of the AC, and be placed under the direct authority and supervision of the AC.</div><div>b. To review the adequacy of internal audit scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work. The reports of internal auditors and the AC are not subject to clearance of the General Manager.</div><div>c. To review the results of the internal audit processes and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors.</div><div>d. To oversee the functions of the Internal Audit and ensuring compliance with the Laws and Regulations Applicable to Banks and Financial Institutions.</div><div>e. To evaluate the performance and decide on the remuneration package of the Internal Audit Head.</div><div>f. To approve the appointment, transfer and dismissal of the Internal Audit Head or senior staff members of the internal audit function, and to be informed of resignation of any senior internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.</div></div>
External Audit	<div><div>a. To consider the appointment of external auditors, the audit fees and any question of resignation or dismissal.</div><div>b. To discuss with the external auditor before the audit commences, the nature and</div></div>

	scope of the audit, and ensure co-ordination where more than one audit firm is involved.
c.	To assess objectivity, performance and independence of external auditors.
d.	To approve the provision of non-audit service by the external auditors.
e.	To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of the auditors’ independent judgement.
f.	To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
g.	To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).
h.	To review the external auditor’s management letter and management response.
i.	To meet with the external auditors at least once a year without the presence of the management to discuss on key concerns and to obtain feedback.

Audit Findings, Internal Control and Compliance Issues	To review the findings and compliance issues identified by regulators and to ensure that appropriate and prompt remedial actions are taken by management.
Others	<div><div>a. To review the quarterly and year-end financial statements for submission to the Board</div><div>b. To review all related party transactions submitted by management that may arise within the Bank’s Group and keep the Board informed of such transactions.</div></div>

RISK COMMITTEE

The primary responsibility of the Risk Committee is to ensure that the integrated risk management functions within the Bank are effectively discharged. The Risk Committee reports to the Board of Directors on all risk management matters in the Bank.

A total of 12 Risk Committee Meetings was held in 2012 and the members’ attendances at the meetings was as follows:

No. of Meetings			
Members	Attended	Held	
Dato’ Shaarani Ibrahim <i>Chairman/Independent Non-Executive Director</i>	12	12	
Goh Nan Kioh* <i>Alternate Chairman/Independent Non-Executive Director</i>	1	8	
Yew Wan Kup <i>Non-independent Executive Director & General Manager</i>	12	12	
Bun Yin <i>Deputy General Manager & Head, Commercial Banking</i>	6	12	
Khoo Lian Kim** <i>Representative Head of Risk Management</i>	8	8	

Sasi Komanthakkal*** <i>Representative Head of Risk Management</i>	5	5
Heng Thida <i>Head, Retail Financial Services</i>	7	12
Hong Sreynoun <i>Head, Treasury</i>	9	12
Den Davuth <i>Head, Information Technology</i>	12	12
Heng Vuthy <i>Head, Finance</i>	11	12
Heng Torang <i>Assistant Vice-President, Risk Management</i>	12	12
Ly Sophea <i>Head, Legal &Company Secretary</i> <i>* Resigned on 04 September 2012</i> <i>** Resigned on 16 August 2012</i> <i>*** Appointed on 16 August 2012</i>	10	12

The terms of reference of the Risk Committee are as follows:

- Allocation of Capital-at-Risk for different lines of businesses and different categories of risks to ensure adequate diversification of risk, complies with the regulatory limit requirements and the Bank has sufficient capital to cushion against stress scenarios.
- Enhancing shareholder value through evaluation of risk-return profiles of business activities and ensuring that they are within the parameters established by the Board of Directors.
- Review and recommend to the Board of Directors for approval of appropriate risk policies and limits so that the risk management framework is in line with the corporate plan, the Group’s EWRM framework, and conform to the legal and regulatory requirements.
- Evaluate and review proposals on new products, investments, businesses, strategic alliances and product variations, and subsequently to grant approval-in-principle or recommend to the Board of Directors for approval.
- Review and approve changes to operational procedures and processes.
- Enforcement of compliance to all risk policies and limits.
- Deployment of proper methodologies to identify and measure risk for all positions.
- Set strategies to evaluate, monitor and control risks to be within reasonable level.
- Endorse the methodologies and tools for the measurements for the various types of quantifiable risk for Board’s approval.
- Review the Bank’s balance sheet composition of loans and deposits.
- Ensure holistic approach is taken to manage the Bank’s balance sheets through effective interest rate risk management, funding liquidity risk management, interest margin and capital management.
- Ensure the Bank maintains its asset quality through close monitoring of the processing and approval of new loans and prompt recovery of Non-Performing Loans.
- Review the Bank’s contingency plan and overall business continuity management for implementation whenever necessary and propose to the Board of Directors for approval.
- Review and approve the terms of reference and composition of any risk committees, including the appointment and removal of members and invitees to such risk committees.

MANAGEMENT COMMITTEES

The following management committees have been established to assist the ED/GM and Management in managing the various businesses and support activities of the Bank:

- Management Committee
- Cambodia Credit Committee
- Assets and Liabilities Management Committee

Management Committee

The Management Committee reports to the Board of Directors on day-to-day management matters of the Bank.

Yew Wan Kup <i>General Manager</i>	Chairman
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Bun Yin <i>Deputy General Manager & Head, Commercial Banking</i>	Member
Heng Thida <i>Head, Retail Financial Services</i>	Member
Hong Sreynoun <i>Head, Treasury</i>	Member
Heng Vuthy <i>Head, Finance</i>	Member
Oum Chendapheakdey <i>Head, Human Resource</i>	Member
Den Davuth <i>Head, Information Technology</i>	Member
Heng Torang <i>Assistant Vice-President, Risk Management</i>	Member
Pok Nivilay <i>Assistant Vice-President, Marketing & Communications</i>	Member
Ly Sophea <i>Head, Legal & Company Secretary</i>	Member

- The terms of reference of the Management Committee are as follows:**
- Advise the General Manager.
 - Monitor and evaluate performance of each business division.
 - Review financial and other management reports of the Bank.
 - Devise strategy, business plans and budgets for the Bank (including IT-related items).
 - Identify cross-divisional synergies.
 - Deliberate key regulatory issues.
 - Other matters as directed by the GM from time to time.
 - Other matters as directed by the Board/Group CEO from time to time.

Cambodia Credit Committee
The Cambodia Credit Committee reports to the Risk Committee on credit related matters of the Bank.

Yew Wan Kup <i>General Manager</i>	Chairman
Bun Yin <i>Deputy General Manager & Head, Commercial Banking</i>	Member
Heng Thida <i>Head, Retail Financial Services</i>	Member
Kien Vatana <i>Assistant Vice-President, Credit Management</i>	Member
John Chuah Keat Kong <i>Credit Advisor, Commercial Banking</i>	Member
Sue Kok Tsuey Shan <i>Credit Advisor, Retail Financial Services</i>	Member
Ly Sophea* <i>Head, Legal & Company Secretary</i>	Member
Heng Vuthy* <i>Head, Finance</i>	Member

* Appointed on 04 September 2012

- The terms of reference of the Cambodia Credit Committee are as follows:**
- Review and approve loans and advances originating from the Bank, which are within the approval limits delegated by the Board.
 - Recommend for Regional Credit Committee's concurrence/endorsement and Board approval, all credit proposals, which exceed the Cambodia Credit Committee's approval authority.
 - Approve, on a case-by-case basis, transactions for which there are no pre-approved credit limits, or exceed pre-approved credit limits.
 - Ensure the Bank's overall loans portfolio meets with the guidelines of regulatory authorities and approved credit policies and procedures.

- Review and approve recovery actions to be taken against cases within the committee's sanctions and provisions for bad and doubtful accounts, write-offs.
- Assess the risk return trade-off when approving loans and advances to ensure that facilities granted are within the risk appetite of the Group.
- Review and evaluate the various credit products engaged by the Bank to ensure that they are conducted within the standards and policies set by the Board.
- Review and approve the internal credit rating of each borrower, where applicable.
- Review and recommend the changes in the credit policies and guidelines for Regional Credit Committee / Risk Committee endorsement and Board approval.
- Any other functions as and when directed by Risk Committee.

Assets and Liabilities Management Committee
The Assets and Liabilities Management Committee reports to the Risk Committee on liquidity risk and assets and liabilities matters of the Bank.

Yew Wan Kup <i>General Manager</i>	Chairman
Sasi Komanthakkal <i>Representative Head of Risk Management</i>	Member
Bun Yin <i>Deputy General Manager & Head, Commercial Banking</i>	Member
Heng Thida <i>Head, Retail Financial Services</i>	Member
Heng Vuthy <i>Head, Finance</i>	Member
Heng Torang <i>Assistant Vice-President, Risk Management</i>	Member
Hong Sreynoun <i>Head, Treasury</i>	Secretary

- The terms of reference of the Assets and Liabilities Management Committee are as follows:**
- Overall management and oversight of the Bank's liquidity and interest rate risk in banking book (IRRBB) exposure to ensure that the Bank is able to meet its cash flow obligation in a timely and cost effective manner.
 - Diversification of funding source as much as possible to avoid over dependence on volatile sources of funding.
 - Reviewing/recommending liquidity risk and IRRBB management policies, and other significant policies related to liquidity risk/IRRBB before seeking endorsement from local Risk Committee, acknowledgement from the Regional Liquidity Risk Management Committee (RLRC) and approval from Cambodia Board of Directors.
 - Reviewing liquidity risk and IRRBB tolerance and ensuring internal compliance i.e. to monitor the approved Alert/MAT or any threshold set related to liquidity risk management and recommend the proposal to Risk Committee for approval and notification to RLRC.
 - Reviewing the operating procedures, methodologies or assumptions used for liquidity risk and IRRBB management in consultation with Group ALM e.g. the assumptions in liquidity and re-pricing gap/IRRBB reports.
 - Ensuring compliance with local regulatory requirements and informing Group ALM of any potential liquidity/interest rate risk issues.
 - Reviewing the Bank's balance sheet composition of loans and deposits.
 - Ensuring holistic approach is taken to manage the Bank's balance sheets through effective interest rate risk management, funding liquidity risk management, interest margin and capital management.

ACCOUNTABILITY AND AUDIT
Financial Reporting
Pursuant to the Law on Commercial Enterprises and Law on Banking and Financial Institutions, financial statements for each financial year are prepared in accordance with the guidelines issued by the NBC and the Cambodian Accounting Standards. The financial statements are prepared on a going concern basis and give a true and fair view of the state of affairs of the Bank as at 31 December 2012. Appropriate accounting policies have been applied consistently in preparing the financial statements, supported by reasonable and prudent judgement and estimates. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Bank and have ensured that

the Bank's financial reporting presents a balanced and comprehensive assessment of its financial position and prospects.
The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Bank's position and prospects in preparing the financial statements, reflected in the Directors' Report as set out on pages 56 to 77 of the financial statements section of this Annual Report.

Audit Committee
The Audit Committee assists the Board in oversight of the financial reporting process. The Bank's quarterly and half-yearly results and annual financial statements are subject to review by the Audit Committee and approval of the Board, prior to submission to the NBC.

Internal Control
The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, effective and efficient operations, legal and regulatory

compliance as well as risk management. The size and complexity of the Bank necessitate the managing of a wide and diverse spectrum of risks. The nature of these risks means that events may occur which could give rise to unanticipated or unavoidable losses. The inherent system of internal controls is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring.
The Board considers that the Bank's framework and system of internal controls and procedures maintained by the Bank's Management, and set in place throughout the financial year up to the date of this report, is adequate to meet the needs of the Bank in the current business environment. The system of internal controls is designed to provide reasonable but not absolute assurance for achieving certain internal control standards and helps the Bank manage the risk of failure to achieve business objectives, rather than to eliminate it.
The Statement on Internal Control which provides an overview of the state of internal control of the Bank is set out on pages 36 to 38 of the Annual Report.



Compliance, Audit & Risk Management

AUDIT COMMITTEE REPORT

OVERVIEW

The Audit Committee of CIMB Bank PLC is committed to its role of ensuring high corporate governance practices and providing oversight of the Bank’s financial reporting, risk management and internal control systems.

1. ATTENDANCE OF MEETING

Details of the Audit Committee membership and meetings held in 2012 are as follows:

<i>No. of Committee Meetings</i>			
Members	Status	Attended	Held
Goh Nan Kioh*	Independent Non-Executive	2	2
Dr. Mey Kalyan**	Independent Non-Executive	2	2
Dato' Shaarani Ibrahim	Independent Non-Executive	4	4
Dato' Wira Zainal Abidin Mahamad Zain	Independent Non-Executive	4	4

* Resigned on 04 September 2012

** Appointed on 04 September 2012

The Chairman of the Audit Committee reports to the Board on matters deliberated during the Audit Committee meetings.

2. COMPOSITION

The Audit Committee comprises three (3) independent non-executive directors. The Chairman of the Audit Committee was Mr. Goh Nan Kioh until 04 September 2012, after which Dr. Mey Kalyan, an Independent non-executive director of the Bank, was appointed on 04 September 2012.

3. AUTHORITY

The Audit Committee is a Board delegated committee. The Audit Committee in discharging its duties has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from Management and full discretion to invite any director or executive officer to attend its meetings, and has the necessary resources provided by the Bank to enable it to discharge its functions effectively. The Audit Committee has full and unrestricted access to information and is able to obtain independent professional advice, if necessary, with any expenses related thereto to be borne by the Bank.

4. TERMS OF REFERENCE OF THE AUDIT COMMITTEE:

The responsibilities and duties of the Audit Committee are as follows:

Area	Responsibilities
Internal control/ risk management/ governance	To review the effectiveness of internal controls, risk management processes and governance within the Bank’s Group, taking into account the requirements in the <i>Prakas</i> on Governance in Banks and Financial Institutions.

Internal Audit	a. To ensure the internal audit function is well placed to undertake review or investigation
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on behalf of the AC, and be placed under the direct authority and supervision of the AC.

b. To review the adequacy of internal audit scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work. The reports of internal auditors and the AC are not subject to clearance of the General Manager.

c. To review the results of the internal audit processes and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors.

d. To oversee the functions of the Internal Audit and ensuring compliance with the Laws and Regulations Applicable to Banks and Financial Institutions.

e. To evaluate the performance and decide on the remuneration package of the Internal Audit Head.

f. To approve the appointment, transfer, and dismissal of the Internal Audit Head or senior staff members of the internal audit function, and to be informed of resignation of any senior internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.

External Audit	a. To consider the appointment of external auditors, the audit fees and any question of resignation or dismissal.
	b. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.
	c. To assess objectivity, performance and independence of external auditors.
	d. To approve the provision of non-audit service by the external auditors.
	e. To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors.
	f. To ensure that the accounts are prepared in a timely and accurate manner with frequent

reviews of the adequacy of provisions against contingencies and bad and doubtful debts.

g. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of Management where necessary).

h. To review the external auditors’ Management letter and Management’s response.

i. To meet with the external auditors at least once a year without the presence of the Management to discuss on key concerns and to obtain feedback.

Audit Findings, Internal Control and Compliance Issues	To review the findings and compliance issues identified by regulators and to ensure that appropriate and prompt remedial actions are taken by Management.
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Others	a. To review the quarterly and year-end financial statements for submission to the Board of Directors.
	b. To review all related party transactions submitted by Management that may arise within the Bank’s Group and keep the Board informed of such transactions.

5. SUMMARY OF ACTIVITIES IN 2012

5.1 Audit Committee

- a. Reviewed and approved the annual audit plan, scope of work and resource requirements of Internal Audit.
- b. Reviewed Internal Audit’s methodology in assessing the risk levels of the various auditable areas and ensured that audit emphasis was placed on critical risk areas.
- c. Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is systematic methodology in identifying, assessing and mitigating risk areas.
- d. Reviewed the efficiency of operations and the economical use of resources throughout the Bank.
- e. Reviewed the appointment of external auditors and their independence and effectiveness.
- f. Reviewed the external auditors’ audit plan, scope of work and the results of the annual audit for the Bank.

g. Met with the external auditors on 12 December 2012 without the presence of Management and the Executive Director to discuss relevant issues and obtain feedback.

h. Reviewed the internal control issues identified by internal and external auditors as well as Management’s response to audit recommendations and implementation of agreed action plans.

i. Reviewed the financial statements of the Bank on quarterly basis.

j. Reviewed related party transactions and the adequacy of the Bank’s procedures in identifying, monitoring, reporting and reviewing related party transactions.

k. Ensured compliance with regulatory requirements and internal policies, and provided status updates on follow up by Management on internal and external audit recommendations.

5.2 Internal Audit Function

- a. Internal Audit which is supported by the Group Internal Audit, conducted audits for the Bank.
- b. Internal Audit provides independent and objective assurance on the adequacy and effectiveness of the internal control systems implemented by Management.
- c. Internal Audit assists the Audit Committee and Management in the effective discharge of their responsibilities to establish cost-effective controls, assessing risk management and recommending measures to mitigate identified risks and assuring proper governance processes.
- d. Internal Audit provides periodic reports to the Audit Committee and Management, reporting on the outcomes of the audits conducted, which highlight the effectiveness of the systems of internal control and significant risks.
- e. Internal Audit conducts investigations on suspected fraudulent activities and other irregularities.

5.3 Internal Audit Reports

- a. Internal Audit completed 13 joint audit assignments with Group Internal Audit and another 13 assignments conducted by Local Audit team during the year, covering audits of all the key operations and investigations carried out.
- b. Audit reports that are rated as ‘Above Average Risk’ and ‘High Risk’ require the respective Management to be present at the Audit Committee meetings to respond and provide feedback on audit issues identified by the Internal Audit.
- c. All findings by Internal Audit are tracked and followed up until they are dealt with and reported quarterly to the Audit Committee by Compliance.
- d. The implementation status of audit recommendations is reported to the Audit Committee on a quarterly basis.

STATEMENT ON INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board places importance on, and is committed to maintaining a sound system of internal control. The system of internal control addresses the need for effective and efficient business operations, sound financial reporting and control procedures, and above all, compliance with the applicable laws, regulations, rules and guidelines.

The Board has overall responsibility for the Bank's internal control systems and management information systems, The Board also recognises that reviewing the internal control system is a concerted and ongoing process and takes into account changes in technology, the business environment and regulatory guidelines, with a view to enhancing the process for identifying, evaluating and managing risks. The internal control system is designed to identify, manage and control risks, including operational risks, rather than eliminate the risk of failure to achieve corporate objectives.

RISK MANAGEMENT AND CONTROL FRAMEWORK

The Board recognises that risk management is an integral part of the Bank's business objectives and is critical for the Bank to achieve continued profitability and sustainable growth in value for shareholders. In pursuing these objectives, the Bank as a part of CIMB Group has adopted the Enterprise-Wide Risk Management ("EWRM") framework to manage its risks and opportunities. The EWRM framework provides the Board and its management with a tool to anticipate and manage both existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business strategies, the regulatory environment, and functional activities throughout the year.

INFORMATION TECHNOLOGY SECURITY

Information Technology Security Management is primarily the management of all activities concerned with information technology security for CIMB Bank PLC. By implementing the CIMB Group IT Security Blueprint, information technology security maintains and enforces effective information technology security infrastructure to support the business. Through continuous assessment, and maintaining a robust security infrastructure, information technology security ensures that information technology security is able to meet the business challenges of the future.

Apart from Information Technology Security, Group IT Assurance and IT Risk Management act as the watchdog to assess any possible slips in ensuring that Information Technology Security adheres to Group IT Security Policy and industry best practices. Information Technology Security strives to maintain the highest standard base of industry best practices to ensure that CIMB Bank PLC operates with minimum security risk.

KEY INTERNAL CONTROL PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, including compliance with applicable laws, regulations, rules, directives and guidelines, are as follows:

Audit Committee

The Audit Committee (AC) comprises independent non-executive directors. It is the main Board-delegated committee charged with oversight of financial reporting, disclosure, regulatory compliance, risk management and monitoring of internal control processes in the Bank. Management and both the internal and external auditors report to the AC on the effectiveness and efficiency of internal controls.

All significant and material findings are reported to the AC for review and deliberation. The AC reviews and ensures the implementation of Management's mitigation plans to safeguard the interests of the Group and upkeep proper governance. Management of businesses that are rated as 'Above Average' or 'High Risk' are counselled by the AC.

The AC also reviews all related party transactions, audit fees proposed by external auditors, and non-audit related fees proposed by the external auditors of the Bank.

Presentations of business plans, current developments, operations, business risks and controls to mitigate risks are made by the relevant business and support units as deemed necessary by the AC. The AC also attends the Bank's Annual Management Dialogue where business and support unit reviews its operations for the year and presents strategies and plans for the coming year.

Risk Committees

The Board has established two risk committees: the Cambodia Credit Committee (CCC), and the Risk Committee (RC). The CCC reports to the RC on credit related matters of the Bank and has distinct lines of responsibility and functions, as defined in the terms of reference. The RC determines the Bank's risk policy objectives and assumes responsibility on behalf of the Board for supervision of risk management. The day-to-day responsibility of risk management supervision and control is delegated to the RC, which reports directly to the Board. The RC meets on a monthly basis or as and when required.

The Assets and Liabilities Management Committee (ALCO) was set up by the Risk Committee in August 2012 and held its first meeting in October 2012. It reports to the RC on liquidity risk, and assets and liabilities matters of the Bank. The committee meets on a monthly basis with the primary role to monitor and strategically manage the balance sheet financial risk with specific accountability for the management of the cost of borrowing, developing suitable advisory inputs to the Risk Committee for decision making pertaining to the Bank's Liquidity and Interest Rate Risk, Diversification of Funding Sources, and the review of the Loans and Deposits composition of the Bank's balance sheet. Overall, the ALCO oversees the implementation of effective processes for managing the Bank's interest rate, liquidity, and similar risks relating to the Bank's Balance Sheet and associated levels.

Management Committee

The Management Committee is a committee set up by the Board of Directors to manage day-to-day operational issues. The meeting of this committee is held on a bi-weekly basis, during the first and third weeks of the month, or as and when required. It is comprised of members from each division and department and includes Audit and Compliance as permanent invitees.

Internal Policies and Procedures

All documented internal policies and procedures of business units have been approved by the Board. Policies and procedures serve as day-to-day operational guides to ensure compliance with internal controls and the applicable laws and regulations. This is done with the intent to ensure continuous improvements in operational efficiency while taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

Internal Audit

The Internal Audit of Cambodian Operations is done jointly with Group Auditors who report independently to the AC, and is independent of the activities and operations of other business and support units. The principal responsibility of IAD is to provide independent assurance on the efficiency and effectiveness of the internal control systems implemented by Management. It evaluates the control environment, risk management practices, compliance culture, management competency and efficiency, and strategy execution by business and support units.

IAD's scope of coverage encompasses all business and support units. The selection of the units to be audited from the audit universe is based on an annual audit plan that has been approved by the AC. The annual audit plan is developed based on assessment of the risks, exposures and strategies of the Bank. Units that are assessed to be high risk are subject to an annual audit, while those that are assessed to be medium or low risk are subject to a cycle audit. IAD also undertakes investigations into alleged frauds by staff, customers and third parties, and recommends appropriate improvements to prevent recurrence and actions against the persons responsible. IAD has unrestricted access to information required in the course of its work. IAD adopts the Committee of Sponsoring Organisations of the Tradeway Commission (COSO) internal control framework in its appraisals and evaluations of the Bank's internal control systems and related infrastructure. IAD's scope of work is established in accordance with the Institute of International Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and the various NBC guidelines.

The Audit Report is the final product of an audit assignment, which provides the scope of audit work performed, a general evaluation of the system of internal control together with detailed audit observations, comments and recommendations for improvement. AC reviews and evaluates any exceptions or non-compliance raised by IAD and ensures that appropriate and prompt remedial action is taken by the Management.

IAD conducts routine training of the Bank's branch management and staff on governance and internal control matters.

Compliance Framework

The Compliance framework lays down mechanisms and tools to ensure consistency and efficiency in managing compliance risk. It requires the Bank to adopt and implement the Group Compliance Policy and Procedures and endeavours to mitigate the Bank's liabilities arising from non-compliance with legislations, laws and regulations. In line with good governance, Compliance reports independently



Audit Committee Meeting

to the Board. Appropriate governance has also been established whereby the local compliance officers report to the Head of Group Compliance, in addition to their direct reporting lines to their respective local and/or entity Board of Directors, to the extent permitted by the regulations of the local jurisdictions.

New Product Approval Policy and Procedures

New Product Approval Policy and Procedures are enforced for all new banking products and services. New products are products and/or services that are offered by CIMB Bank PLC for the first time or a combination or variation of existing products and/or services which have a material change in the risk profile, as determined by Risk Management. All new product proposals are subjected to a rigorous risk review process by the various stakeholders at Bank and Group level to ensure that all critical and relevant areas of risk are appropriately identified, assessed and mitigated prior to implementation. The product proposal is then subjected to extensive deliberations at the various Bank and Group committees before

submission to the Board of Directors of CIMB Bank PLC for final approval.

Exception Management and Escalation

The Bank continuously stresses the importance of adhering to regulatory requirements, internal controls and other established procedures in preserving its brand reputation. Exceptions are addressed and managed in a timely and transparent manner. Towards this end, the Bank has established the Bank Exception Management and Escalation procedures to handle escalation of any exceptions, including regulatory non-compliance, rule or limit breaches, fraud and other non-compliance with internal processes. This procedure advocates prompt remedial measures and strengthens transparency and management oversight.

Under the Exception Management and Escalation procedures, reports on incidents are required to be submitted within 24 hours of discovery or first notification of such incident. Each exception will then be managed based on the severity and impact of the case to the Bank's business, operations and

brand reputation. Exceptions are summarized and reported to the Risk Committee on a monthly basis.

Code of Ethics

The CIMB Bank PLC has in place a standard minimum code of conduct for all its employees which encompasses all aspects of its day-to-day business operations. The guidelines of the code of conduct are adopted from the Group and incorporated in the employment contract acknowledged and signed by all employees.

Human Resource Policies and Procedures

Human Resource (HR) Policies and Procedures have been instituted throughout the Group covering all aspects of human resource management. The policies on recruitment, promotion, transfer and termination of employees within the Group are clearly defined therein. Employees are appraised annually and the appraisal is directed by Key Performance Indicators and core competency measurements. Learning and capability development programmes, which include skills and/or technical training are developed and put in place to support and improve the competency of our



CIMB staff work-life balance activity in Phnom Penh

employees to ensure that they are able to discharge their duties effectively and efficiently. Employees are periodically reminded of the relevant policies via e-mail or memorandums and also through relevant training sessions. One such training conducted is the AMLA session, which is carried out regularly to further emphasise the Group's zero tolerance to fraud attitude. It is also further emphasised during the Group Orientation Programme.

BUSINESS CONTINUITY MANAGEMENT

Recognizing the importance of Business Continuity Management (BCM) and the criticality of responsible and cohesive actions and reactions to crisis situations entails enterprise-wide planning. This includes but is not limited to crisis management. Cambodian BCM Team has successfully performed DR (Disaster Recovery) and BCP (Business Continuity Planning) exercises.

- BCM activities completed in 2012:
- a. Completion of consolidated BCP Plan for all departments at Head Office, pending submission to OPRT/ORC.
 - b. DR test on the Core Banking System was successfully completed in Q4.
 - c. BCP test at an alternate site for critical functions was successfully completed in Q4.
 - d. Completed Location Vulnerability Hazard Scorecard (Location Risk Assessment).
 - e. Submission of incident reports to BCM Group.

- f. Conducted BCM awareness to Management Team.
- g. Completion of Self-Assessment Questionnaires.

Operational Risk Management
Operational risk is an inevitable consequence of being in business. However, the Bank has established policies and procedures to guide its business and supporting functions in their day-to-day operations, implementation based on bank-wide best practices and parallel with the Group's direction. The Risk Management Policy and Procedure of the Bank clearly defines the principles for how inherent risks are identified, assessed, controlled, mitigated and monitored.

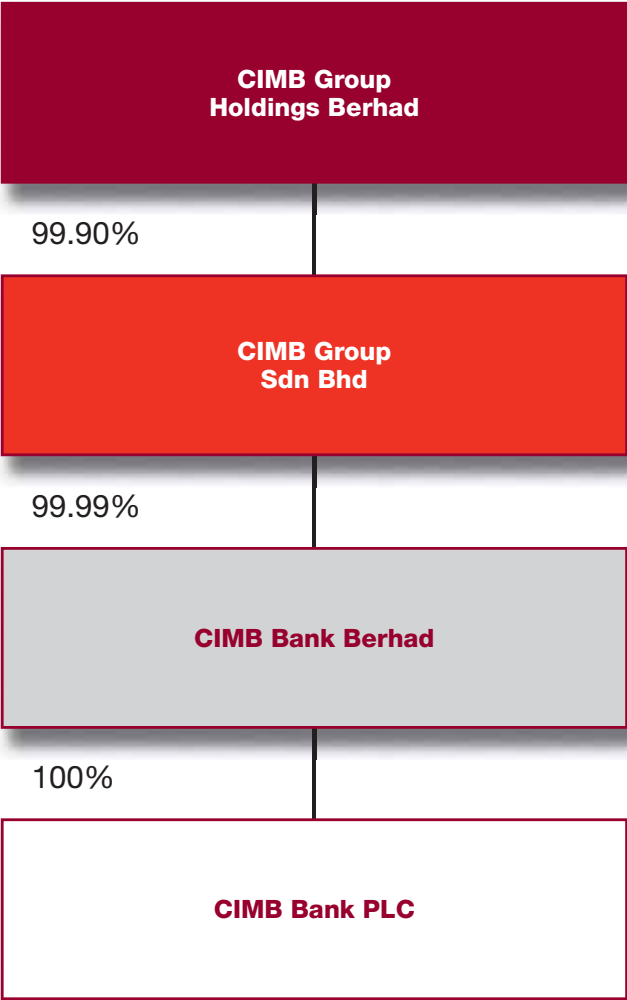
Loss Event Data (LED):
For effective monitoring and tracking, the Bank has adopted seven categories of operational loss event types. All loss event incidents are reported to Risk Management (RMD) where they are consolidated and forwarded to the Risk Committee (RC) for deliberation and to provide directives on the best course of action to mitigate the recurrence of the loss event incidents. LED collection facilitates analysis for the purposes of the Bank's capital calculation for Operational Risk as per Basel II Capital Accord, which is implemented by its Group. The information captured by business/support unit is for the determination of the real cause(s) of the incident and where necessary to recommend enhancement of the existing operational controls or workflow. Any serious incidents as a result of the regulatory non-compliance/breach

would be immediately deliberated on and escalated, as addressed in the Bank's Exception Management & Escalation process.

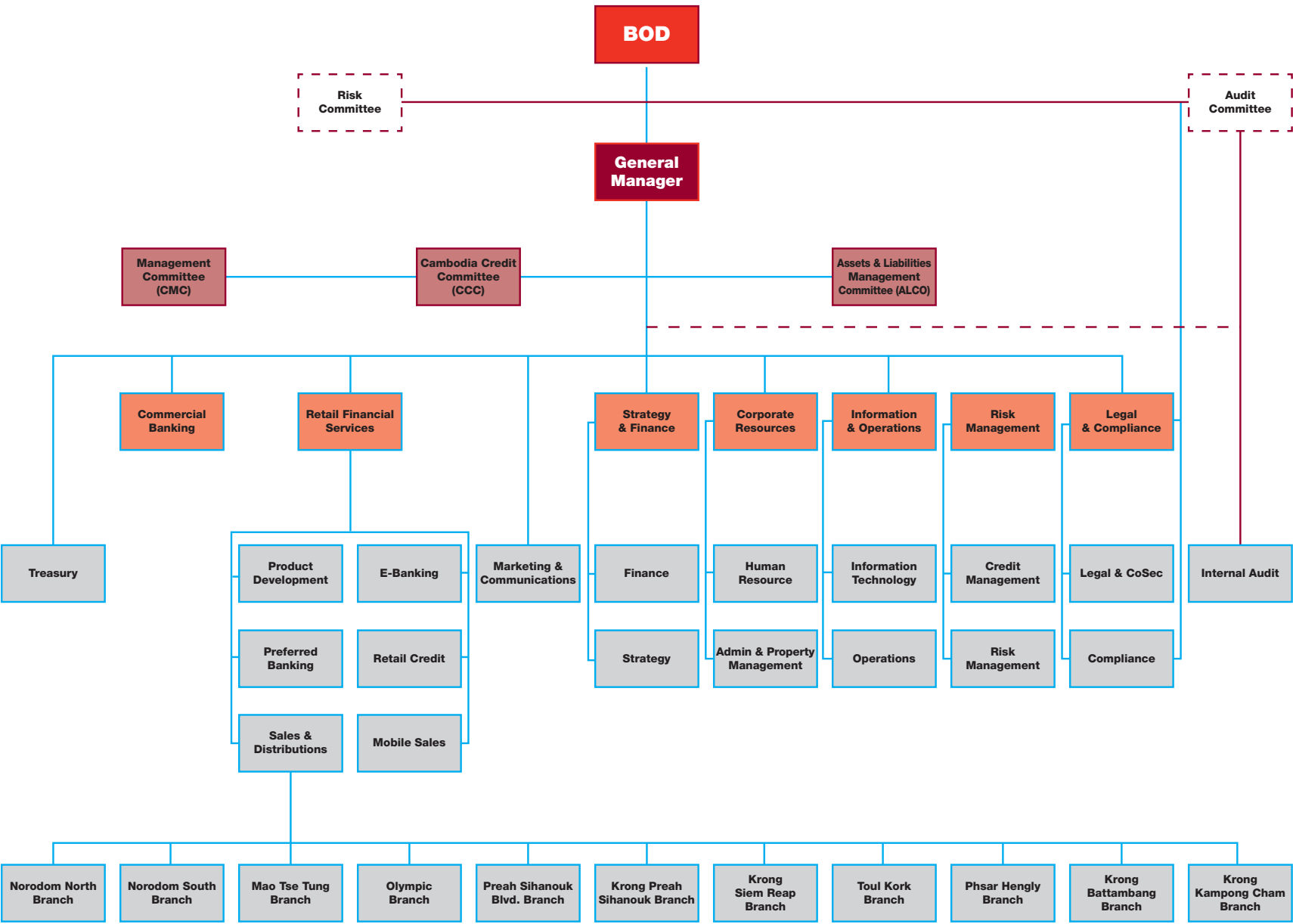
Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT)
Regular training and awareness programmes were conducted. This was supplemented with the latest updates on AML/CFT, real transaction case studies on the risk of money laundering and financing of terrorism, with emphasis on the roles and responsibilities of employees. The Bank has taken and will continue to undertake on-going measures to reduce the risk of CIMB's exposure to possible money laundering and financing of terrorism activities, and at the same time ensure compliance with regulatory guidelines. Collaboration with the industry in relation to AML/CFT initiatives also forms part of the training and awareness programmes.

CONCLUSION
The Board believes that the system of internal control in place is adequate to safeguard the shareholder's interests as well as the assets of the CIMB Bank PLC. The Board acknowledges that there is an effective on-going process for identification, evaluation and management of significant risks in the Bank and is committed to continuing to review the operations and effectiveness of the bank's internal control including financial, operational and compliance controls and risk management.

CIMB BANK PLC
CORPORATE STRUCTURE AS AT 31 DECEMBER 2012



ORGANISATION
CHART



CORPORATE
INFORMATION

BOARD OF DIRECTORS

Dato' Shaarani Ibrahim
Chairman

Goh Nan Kioh

Dato' Wira Zainal Abidin Mahamad Zain

Peter England

Yew Wan Kup

Dr. Mey Kalyan

AUDIT COMMITTEE

Dr. Mey Kalyan
Chairman

Dato' Shaarani Ibrahim

Dato' Wira Zainal Abidin Mahamad Zain

RISK COMMITTEE

Dato' Shaarani Ibrahim
Chairman

Yew Wan Kup
General Manager

Sasi Komanthakkal
Representative Head, Risk Management

Bun Yin
Deputy General Manager & Head, Commercial Banking

Heng Thida
Head, Retail Financial Services

Hong Sreynoun
Head, Treasury

Den Davuth
Head, Information Technology

Heng Vuthy
Head, Finance

Ly Sophea
Head, Legal & Company Secretary

Heng Torang
Assistant Vice-President, Risk Management (Secretary)

Invitees:

Khieu Lanin
Representative Head, Internal Audit

In Vansophea
Representative Head, Compliance

Advisor(s) from CIMB Group as approved by the Board of Directors

CAMBODIA CREDIT COMMITTEE

Yew Wan Kup
General Manager (Chairman)

Bun Yin
Deputy General Manager & Head, Commercial Banking

Heng Thida
Head, Retail Financial Services

Kien Vatana
Assistant Vice-President, Credit Management

John Chuah Keat Kong
Credit Advisor, Commercial Banking

Sue Kok Tsuey Shan
Credit Advisor, Retail Financial Services

Heng Vuthy
Head, Finance

Ly Sophea
Head, Legal & Company Secretary

ASSETS AND LIABILITIES MANAGEMENT COMMITTEE

Yew Wan Kup
General Manager (Chairman)

Sasi Komanthakkal
Representative Head, Risk Management

Bun Yin
Deputy General Manager & Head, Commercial Banking

Heng Thida
Head, Retail Financial Services

Heng Vuthy
Head, Finance

Heng Torang
Assistant Vice-President, Risk Management

Hong Sreynoun
Head, Treasury

MANAGEMENT COMMITTEE

Yew Wan Kup
General Manager (Chairman)

Bun Yin
Deputy General Manager & Head, Commercial Banking

Heng Thida
Head, Retail Financial Services

Heng Vuthy
Head, Finance

Oum Chendapheakdey
Head, Human Resource

Den Davuth
Head, Information Technology

Ly Sophea
Head, Legal & Company Secretary (Secretary)

Pok Nivilay
Assistant Vice-President, Marketing & Communications

Hong Sreynoun
Head, Treasury

Heng Torang
Assistant Vice-President, Risk Management

Invitees:

Khieu Lanin
Representative Head, Internal Audit

In Vansophea
Representative Head, Compliance

COMPANY SECRETARIES

Ly Sophea

Datin Rossaya Mohd Nashir

REGISTRATION No.

Co.1935E/2010

REGISTERED OFFICE

20AB, Corner Preah Norodom Boulevard & Street 118
Sangkat Phsar Chas, Phnom Penh 12203
Cambodia

Tel: +855 23 988088

Fax: +855 23 988099

Website: www.cimbbank.com.kh

AUDITOR

PricewaterhouseCoopers (Cambodia) Ltd.
35 Sihanouk Blvd, Khan Chamkarmon
Phnom Penh 12210
P.O. Box 1147

Tel: +855 23 218 086

Fax: +855 23 211 594



PROFILE
BOARD OF DIRECTORS



DATO' SHAARANI IBRAHIM
Chairman/
Independent Non-Executive Director

Aged 63, Malaysian
Joined the Board on 20 September 2010
Attended all 4 Board Meetings held in 2012
Chairman of the Risk Committee
Member of the Audit Committee



**DATO' WIRA ZAINAL ABIDIN
MAHAMAD ZAIN**
Independent Non-Executive Director

Aged 63, Malaysian
Joined the Board on 20 September 2010
Attended all 4 Board Meetings held in 2012
Member of the Audit Committee

Dato' Shaarani Ibrahim graduated from the University of Malaya with a Bachelor of Arts (Hons) degree in International Relations in 1973.

Dato' Shaarani Ibrahim has, since January 2009, been an Independent Director of CIMB Thai Bank Public Company Limited (CIMB Thai) and also a member of its Audit and Nomination and Remuneration Committees. Since September 2010, Dato' Shaarani has also been an Independent Director of the Singapore-based Dragon Group International (DGI) where he also serves as Chairman of the Remuneration Committee and member of its Audit and Nomination Committee. Dato' Shaarani has also sat on the Board of Universiti Putra Malaysia (UPM) since January 2011, and is the Chairman of its Audit Committee and member of its Investment Committee.

Prior to joining the private sector, Dato' Shaarani held office in the Administrative and Diplomatic service of the Government of Malaysia and was attached to the Ministry of Foreign Affairs from 1973, assuming various responsibilities over a span of 35 years.

While working in the Foreign Ministry, Dato' Shaarani served as the Ambassador of Malaysia to the Republic of Uzbekistan from 1996 to 1999. He was also the Ambassador of Malaysia to the Kingdom of Spain from 2002 to 2005 and the Ambassador of Malaysia to the Kingdom of Thailand from 2005 to 2008.

Dato' Wira Zainal Abidin holds a Bachelor of Arts (Hons) degree in International Relations from the University of Malaya. Dato' Wira Zainal Abidin is also an Independent Non-Executive Director of Malayan Flour Mills Berhad (MFM). Prior to his appointment to the Board of MFM, he was Malaysia's First ASEAN Permanent Representative ad-interim in the Republic of Indonesia from March 2009 to July 2009.

Dato' Wira Zainal Abidin served in the Ministry of Foreign Affairs since 1973, holding various responsibilities over a span of 39 years in public service. He currently also serves as a Special Envoy of the Prime Minister of Malaysia to the Islamic Republic of Afghanistan, a responsibility that he has assumed since June 2010.

His career during his 40 years to date of serving the Government of Malaysia saw him appointed as the Ambassador of Malaysia to Brazil, Vietnam and Indonesia. He also served as Malaysia's first Director-General of the South-East-Asian Centre for Counter-Terrorism based in Kuala Lumpur. His other appointments were as Chargé d' Affaires of Malaysia in Tehran, the Islamic Republic of Iran; Consul-General of Malaysia in Abu Dhabi, UAE; Consul-General of Malaysia in Jeddah, Saudi Arabia and Consul-General of Malaysia in Vancouver, Canada.



GOH NAN KIOH
Independent Non-Executive Director

Aged 58, Malaysian
Joined the Board on 20 September 2010
Attended 3 out of 4 Board Meetings held in 2012
Chairman of the Audit Committee
Member of the Risk Committee

Goh Nan Kioh holds a Bachelor of Economics (Hons) degree from the University of Malaya.

Goh Nan Kioh is a very reputable and successful entrepreneur with wide and varied business investments in many countries.

Goh Nan Kioh is a Non-Independent and Non-Executive Director and also currently the Chairman of Mega First Corporation Berhad. He is also the Chief Executive Officer of the Cambrew Group of companies, a brewery and soft drinks company, and Chairman of Pearl River Tyre (Holdings) Limited, a tyre manufacturing company listed on the Hong Kong Stock Exchange.



MEY KALYAN
Independent Non-Executive Director

Age 59, Cambodian
Joined the Board on 28 June 2012
Attended 2 out of 2 Board Meetings held in 2012
Chairman of the Audit Committee

Mey Kalyan finished his doctoral course in Development Economics, Kobe University, Japan in 1984. Afterwards, he received extensive short term training on development from UN agencies, the World Bank, and Harvard University.

Currently, he is a Senior Advisor to many institutions in the Royal Government of Cambodia, including the Supreme National Economic Council (SNEC), an economic think tank to the Prime Minister. Prior to this position, he worked for 20 years as a senior economist of the UN/FAO-World Bank Cooperative Program based in Rome, Italy. He has extensive global experience in economic development, and has visited and worked in about 100 countries. In the mid-1980s, he was also a finance officer at Kanematsu Goshu Corporation, a general trading house, in Osaka and Tokyo.

Now, he is happy to return to Cambodia after living abroad for 35 years. With his vast experience and knowledge acquired while serving around the globe, Mey Kalyan is honoured to help in the development of Cambodia in both private and public sectors. He is convinced that the development of the financial sector is one of the prime keys to Cambodia's development and success.



PETER ENGLAND
Non-Independent Non-Executive Director



YEW WAN KUP
Non-Independent Executive Director

Aged 52, Australian
Joined the Board on 20 December 2011
Attended all 4 Board Meetings held in 2012

Aged 54, Malaysian
Joined the Board on 20 September 2010
Attended all 4 Board Meetings held in 2012
Member of Risk Committee

Peter England holds a Master of Business Administration (specialising in Personal Financial Planning) from the University of Southern Queensland, Australia.

Peter England is the Head of Retail Financial Services of CIMB Group.

He is responsible for the overall management and financial performance of CIMB Bank Malaysia's business for individual and small enterprise customers. He also oversees the development of retail business in Singapore and Cambodia as well as insurance and private banking throughout the region.

Peter's responsibilities include business strategy, product development, credit management, and Technology Banking. Peter's team develops and sources a range of Bank products and services.

Peter has over 30 years' working experience in all aspects of retail banking and wealth management and has been based in Asia for most of the last 16 years. Prior to joining CIMB Group, he was the Head of Retail Banking for two large Malaysian banking institutions.

Yew Wan Kup holds two Masters degrees from Universiti Malaya, Malaysia; a Master of Business Administration and a Master of Information Technology. Mr. Yew has also earned a Bachelor of Science (Hons) degree in Housing, Building and Planning (Architecture) from Universiti Sains Malaysia, Malaysia.

He is the General Manager of CIMB Bank PLC in Cambodia. Mr. Yew first joined the CIMB Group in 2008 primarily to oversee the Group's expansion programs within the Indochina region.

Mr. Yew was the vanguard of the establishment of CIMB Bank PLC in 2010 and as the General Manager, he has been instrumental in the strategic business growth of the Bank. Mr. Yew leads and is responsible for the broad and overall management of the entire banking operations in Cambodia.

His role requires him to formulate policies and plans and to lead the daily management of operations, development of strategies, products and services, expansion of sales and branch network plans, in addition to the improvement of the overall business development process.

Prior to Mr. Yew's secondment to CIMB Bank PLC, he played an advisory role to CIMB Thai in sharing the proven business and operational practices, executing core strategies and optimising spending and investment.

Mr. Yew has more than 30 years' commercial banking experience. Prior to joining CIMB, Mr. Yew was managing another Malaysian Bank, overseeing its overseas operations in 12 locations worldwide. At another Malaysian bank prior to CIMB, Mr. Yew was instrumental in developing the strategic and tactical directions in managing the operations of its 180 branches and 2,300 staff.

JOINT COMPANY SECRETARY
PROFILES



DATIN ROSSAYA MOHD NASHIR
Joint Company Secretary

Datin Rossaya Mohd Nashir is the CIMB Group Company Secretary. She also acts as Secretary to various Board Committees as well as the Group Management Committee, and is a director of several subsidiaries in the CIMB Group. She is responsible for management and administration of the Board's affairs in compliance with the relevant laws, regulations and corporate governance framework and provides support to the Board and its key stakeholders, both in Malaysia and in the Group's regional operations.

She has more than 18 years' experience in corporate secretarial practice. Datin Rossaya started her career with Time Engineering Group and subsequently joined Permodalan Nasional Berhad, where she assumed the role of Joint Company Secretary serving several subsidiaries. She has been with CIMB Group since 2002, working in Corporate Legal Services Unit before setting up the Company Secretarial Department in 2004.

Datin Rossaya is 44 years old and is a graduate of Coventry University, the United Kingdom, where she earned a Bachelor of Laws degree (majoring in Business Law). Among her civic activities, Datin Rossaya serves on the Companies Commission of Malaysia's Corporate Practice Consultative Forum, representing the interests of Government Linked Companies under the auspices of Khazanah Nasional Berhad and is an Affiliate of the Malaysian Institute of Chartered Secretaries and Administrators. She takes an active interest in advocating greater participation of women in the board room and most recently, contributed to the Women in Board of Directors Mini Lab organized by Performance Management & Delivery Unit (PEMANDU) and the NAM Institute for the Empowerment for Women.

LY SOPHEA
Joint Company Secretary

Ly Sophea is the Joint Company Secretary of CIMB Bank PLC. She also acts as the Joint Secretary to the Board of Directors and the Audit Committee of CIMB Bank PLC. She is the Secretary to the Management Committee and also sits as a member of other committees of the Bank, which includes the Risk Committee and Cambodia Credit Committee.

Prior to joining CIMB Bank PLC, Sophea was an Assistant to the Senior Vice President and Head of Legal & Corporate Affairs at a major bank in Cambodia. She simultaneously studied and worked for six years in legal and corporate secretarial roles in Legal & Corporate Affairs Division at her previous place of work.

Sophea graduated in 2004 from the Royal University of Law and Economics with a Bachelor of Law and in the same year, earned a Bachelor of Accounting from the Faculty of Business Administration of the Institution of Technology and Management (now Puthisastras University). In 2007, she obtained her Master of Private Law.

MANAGEMENT COMMITTEE'S
PROFILES





BUN YIN
Deputy General Manager & Head,
Commercial Banking

Bun Yin is the Deputy General Manager of CIMB Bank PLC. He is also the Head of Commercial Banking, overseeing the Bank's small and medium enterprise and corporate segments. His areas of responsibility in Commercial Banking include sales strategy, credit analysis and customer management, as well as the development of key business products and services. As the DGM of CIMB Bank PLC, Bun Yin is instrumental in maintaining a good relationship with regional clients as well as local regulatory bodies. He has been active in driving the bank's business prospects, generating quality funds and balancing credits.

With more than 30 years' commercial banking experience, Bun Yin is recognized as one of the key players in the Cambodian banking industry. He has garnered for himself a wealth of experience in banking and has established an extensive network in the corporate and banking sectors in Cambodia. He has successfully held leadership roles in areas involving credit management, trade finance and credit-cards and contributed in important advisory roles, especially during the setting up stage of CIMB Bank PLC in Cambodia.



HENG THIDA
Head, Retail Financial Services

Heng Thida is responsible for the overall management and financial performance of CIMB Retail banking and her duties include product development, sales and distribution, and credit management. Thida devises business strategies and also takes care of both Preferred Banking and Technology Banking.

She started her career as a saleswoman in the import/export industry and later took on the challenge of becoming an Account Executive in an international advertising agency for four years before she left for Japan to further her studies. On her return to Cambodia, Thida was consultant to the Mekong Private Development Facility on a World Bank program.

Before joining CIMB, Thida worked for a major bank in Cambodia for seven years where she assumed various management positions, from Head of Marketing to Head of Retail Support and then Head of Sales and Distribution.

Thida earned her bachelor's degree from the National University of Management in Phnom Penh and then continued her major in marketing with an MBA from the International University of Japan.



HONG SREYNOUN
Head, Treasury

Hong Sreynoun's primary duties are in funding the Bank balance sheet, sales of foreign exchange, structured products, and investment products.

In the course of her work, she is constantly in contact with customers; servicing both individuals and corporate clients. Sreynoun has since developed expertise in the functions of structured products, balance sheets, derivatives, currency market and funding management of the bank.

Prior to joining CIMB Bank, Sreynoun was a Finance Analyst in the department of finance of a multi-national bank in Cambodia. This experience and her natural acumen have given Sreynoun a solid understanding of financial markets and strong skills in strategic development, financial analysis, budgeting, planning and change management.

Sreynoun holds a Master degree of Accounting from the University of Melbourne (Australia), a Bachelor of Education from the Institute of Foreign Language (IFL), and a Bachelor of Business Administration degree from the National University of Management (NUM). She is currently pursuing a further degree from the United Kingdom Licensing Centre in Cambodia to join the ACCA (the Association of Chartered Certified Accountants), a global body for professional accountants.



HENG VUTHY
Head, Finance

Heng Vuthy is Head of Finance. He was one of the pioneers in the CIMB management team. His primary duties are to manage financial functions, and to plan, organize, direct and manage subordinate personnel involved in developing, implementing, and maintaining policies and practices for the financial management, budgeting, taxation, accounting and regulatory reporting, and to manage the business strategy of the bank.

Vuthy also oversees all the accounting system and reporting, financial control and business planning, and serves as liaison to the Group Head Office in Malaysia. Prior to joining CIMB Bank PLC, he garnered eight years' experience in financial management, and was deputy head of a finance division in his last post with a major bank in Cambodia.

Vuthy holds a Master of Business Administration in Finance and is currently pursuing a further degree from the United Kingdom Licensing Centre in Cambodia to join the ACCA (the Association of Chartered Certified Accountants), a global body for professional accountants.



OUM CHENDA PHEAKDEY
Head, Human Resource

Oum Chenda Pheakdey holds a Bachelor of Business Administration from the National Institute of Management. Prior to joining the Bank, she held HR leadership roles in various industries from 2002. Her role as the Head of Human Resource encompasses the full range of HR services which includes sourcing, managing and retaining talented personnel.

As an integral part of the management team she ensures that all business divisions are on the same page in terms of people's development, key talent retention and a high performance culture. On top of that she manages employees' remuneration, employee relations and employees' recreation and/or team building. Achieving a high level of people development is very important as part of her key function; she ensures that all employees are nurtured with a learning culture through local and regional training and development programs.



LY SOPHEA
Head, Legal

Ly Sophea has been Head of Legal and Company Secretary since CIMB Bank PLC commenced operations in November 2010.

Sophea is responsible for the functions of the Legal and Corporate Secretariat of the Bank. She is the joint company secretary to the Board of Directors and the Audit Committee of CIMB Bank PLC. She also acts as Secretary to the Management Committee and sits as a member of other committees of the Bank, including the Risk Committee and the Cambodia Credit Committee.

Prior to joining CIMB Bank PLC, Sophea was an Assistant to the Senior Vice President and Head of Legal and Corporate Affairs Division at a major bank in Cambodia. She simultaneously studied and worked for six years in a legal and corporate secretarial role in Legal & Corporate Affairs at her previous place of work. After joining CIMB Bank PLC, Sophea became responsible for the compliance function of the Bank until the function was separated in July 2012.

Sophea graduated in 2004 from the Royal University of Law and Economics with a Bachelor of Law, and in the same year, received a Bachelor of Accounting from the Faculty of Business Administration of the Institution of Technology and Management (now known as Puthisastras University). In 2007, she obtained her Master of Private Law from the Royal University of Law and Economics.



DEN DAVUTH
Head, Information Technology

Den Davuth joined CIMB Bank PLC as the Head of Information Technology.

He oversees technology management, directs the bank's technology and executes technical strategies to ensure that the setup is in line with the Group Information and Operations Division's directions.

He also manages IT operations and takes care of IT infrastructure in supporting retail and corporate business units and alternate delivery channels.

Den Davuth holds two Bachelor of Arts degrees: one in Computer Science and the other in English, majoring in Professional Communication Skills from the Royal University of Phnom Penh.



POK NIVILAY
Assistant Vice President, Marketing & Communications

As Assistant Vice President of Marketing & Communications, Nivilay Pok oversees the marketing and communications activities of CIMB Bank PLC. Nivilay is responsible for the overall direction and implementation of the bank's internal and external communications activities, including brand management and marketing, public relations and media management, internal communications, event management and sponsorships, annual report development and corporate responsibility.

Nivilay holds a Master of Business Administration (specialising in Business Management) from Build Bright University, Cambodia. Prior to joining CIMB Bank PLC, she had more than 10 years' experience in sales and marketing; having worked in various industries from advertising and engineering to telecommunications.



HENG TORANG
Assistant Vice President, Risk Management

Heng Torang is the Assistant Vice President in Risk Management. Since joining CIMB Bank PLC in September 2010, he also has assumed the position of Secretary to the Risk Committee.

His job responsibilities include assessing and monitoring credit, market and liquidity risk positions and operational risk issues arising from the Bank's day to day business and operations. He represents Risk Management at the Bank's Committee meetings and remains in constant communication with Group Risk Management, reporting all risk matters for the Risk Committee's deliberation and/or Board of Directors' approval.

Prior to joining CIMB Bank PLC, Heng Torang was Assistant Vice President and Manager of Market and Treasury Risk at a major bank in Cambodia. Besides his expertise at risk management, he has had three years' experience in physical cash management in the Treasury.

Heng Torang holds a Bachelor of Accounting from the National Institution of Management. He received his Master of Finance from Pannasastra University of Cambodia in 2011. He is currently pursuing a further degree from the United Kingdom Licensing Centre in Cambodia to join the ACCA (the Association of Chartered Certified Accountants), a global body for professional accountants.

BRANCH NETWORK

Norodom North Branch
20, Norodom Boulevard,
Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh

Norodom South Branch
216, Norodom Boulevard, Sangkat Tonle Bassac,
Khan Chamkar Morn, Phnom Penh

Sihanouk Branch
57F, Preah Sihanouk Boulevard, Village 6, Sangkat
Chaktomok, Khan Daun Penh, Phnom Penh

Mao Tse Toung Branch
187, Mao Tse Toung Blvd, Sangkat Tuol Svay Prey I,
Khan Chamkarmorn, Phnom Penh

Olympic Branch
201, Jawaharlal Nehru Street, Village 10,
Sangkat Phsa Dem Kor, Khan Toul Kork, Phnom Penh

Krong Sihanouk Branch
90, Ekareach Street, Village 2,
Sangkat 4, Khan Mittapheap
Preah Sihanouk Province

Siem Reap Branch
38-40, Sivatha Street, Village 2, Sangkat Svay
Dangkom, Khan Siem Reap,
Siem Reap Province

Phsar Heng Ly Branch
122, Street 271. Village 11, Sangkat Toeuk Laark III,
Khan Toul Kork, Phnom Penh

Toul Kork Branch
150F2DE0E1, Street 289, Village 13,
Sangkat Boeung Kok I, Khan Toul Kork,
Phnom Penh

Krong Battambang Branch
98-99, village Prek Mohatep, Sangkat Svay Por,
Battambang Province

Krong Kampongcham Branch
Phum4, Veal Vong Commune,
Kampong Cham district,
Kampong Cham province

CIMB PREFERRED CENTRE
Norodom North Branch
20, Norodom Boulevard,
Sangkat Phsar Chas, Khan Daun Penh
Phnom Penh

Norodom South Branch
216, Norodom Boulevard,
Sangkat Tonle Bassac, Khan Chamkarmorn
Phnom Penh

Olympic Branch
201, Jawaharlal Nehru Street, Village 10,
Sangkat Phsa Dem Kor, Khan Toul Kork
Phnom Penh

Siem Reap Branch
38-40, Sivatha Street, Village 2,
Sangkat Svay Dangkom,
Khan Siem Reap, Siem Reap Province

OFF SITE ATMS
Naga World
Samdech Techo, Hun Sen Park,
Phnom Penh

T&C Samdech Pan
35-37, Samdech Pan (St. 214),
Phnom Penh

U-Card Riverside
Blvd Samdach Sothearos, Phnom Penh

HSC (Linex)
37 ABCD, St.110 Russian Boulevard, Sangkat
Monorom, Khan 7 Markara, Phnom Penh

Bona Bussiness Center
Preah Norodom Boulevard, Phnom Penh

Royal Inn
128D6, 7 Sothearos Blvd, Phnom Penh

Brown Coffee
1, Street 98 corner of street sisowath,
Phnom Penh

U-Care Kampuchea Krom
844 Eo, street 128, Sangkat Toeuk Laork 1

ELT
22 A, Street 273, Sangkat Boeung Kak I,
Khan Toul Kork, Phnom Penh

The Place
No. 123, Stree 93, Sangkat Boeung Keng Kang I,
Khan Chankarmorn, Phnom Penh



AUDITED FINANCIAL STATEMENTS

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A tradition like silk weaving which is centuries old in Cambodia is woven by skillful hands to create masterpieces of fabric, likewise at CIMB; we have the expertise to help grow our clients businesses.

THE DIRECTOR’S DECLARATION

ON THE FINANCIAL STATEMENTS

The board of Directors (“the Directors”) hereby submit their report and the audited financial statements of CIMB BANK PLC (“the Bank”) for the year ended 31 December 2012.

CIMB BANK PLC

The Bank was incorporated on 20 September 2010 and is a wholly-owned subsidiary of CIMB Bank Berhad, a licensed bank incorporated in Malaysia. CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, is the ultimate holding company.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS AND DIVIDEND

The results of operations for the year ended 31 December 2012 are set out in the income statement on page 7.

No dividends were declared or paid during the year ended 31 December 2012

CURRENT AND NON-CURRENT ASSETS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ensure that any current and non-current assets, other than which were unlikely to be realized in the ordinary course of business at their values as shown in the accounting records of the Bank, have been written down to an amount which they might be expected to realize.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

(a) no charge on the assets of the Bank which has arisen since the end of the period which secures the liabilities of any other person, and

(b) no contingent liability in respect of the Bank that has arisen since the end of the period other than in the ordinary course of the 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 period which, in the opinion of the Directors, will or may have a material effect on the ability of the Bank to meet its obligations as an when they become 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 in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the financial period were not, in the opinion of the Directors, materially 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 period 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 substantially affect the results of the operations of the Bank for the current period in which this report is made.

THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the period and as at the date of this report are:

Dato’ Shaarani Ibrahim (Chairman)

Dato’ Wira Zainal Abidin Bin Mahamad Zain

Mr. Goh Nan Kioh

Dr. Mey Kalyan

Mr. Peter William England

Mr. Yew Wan Kup

DIRECTORS’ BENEFITS

During and at the end of the period, no arrangements existed, to which the Bank was a party, with the objective of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate. No Directors of the Bank have received or become entitled to receive any benefit by reason of a contract made by the Bank with the Directors or with a firm of which the Directors are members, or with a company which the Directors have a substantial financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

- ii) comply with the disclosure requirements and guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, which present fairly, in all material respects, the financial position o the Bank as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards were approved by the Board of Directors.

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



YEW WAN KUP

General Manager

Phnom Penh, Cambodia
29/03/2013

INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDER OF CIMB BANK PLC

We have audited the accompanying financial statements of CIMB BANK PLC which comprise the balance sheet at 31 December 2012 and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2012 and a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditor’s judgment, including the assessment of the the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedure that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012, and of its finical performance and it’s cash flows for the year ended 31 December 2012 in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Ltd.



By BENILDA C. FERNANDO

Director

Phnom Penh, Cambodia
29/03/2013

AS AT 31 DECEMBER 2012

BALANCE SHEET

	Note	31 December 2012		31 December 2011	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand		7,486,944	29,910,341	2,977,180	12,024,830
Balances with the Central Bank	4	55,381,638	221,249,644	32,426,255	130,969,644
Deposits and placements with other banks	5	11,920,136	47,620,943	6,589,554	26,615,209
Loans and advances to customers	6	83,736,261	334,526,363	41,942,829	169,407,086
Amount due from related company	12	34,875	139,326	1,902	7,682
Other assets	7	1,053,931	4,210,455	506,653	2,046,372
Property and equipment	8	4,907,025	19,603,565	4,137,399	16,710,955
Intangible assets	9	1,065,548	4,256,864	917,909	3,707,434
Total assets		165,586,358	661,517,501	89,499,681	361,489,212
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks	10	23,445,501	93,664,776	3,031,245	12,243,199
Deposits from customers	11	98,363,230	392,961,104	49,634,594	200,474,125
Amount due to related company	12	44,554	177,993	384,528	1,553,109
Amount due to suppliers	13	649,473	2,594,645	935,834	3,779,834
Current income tax liabilities		6,630	26,487	3,169	12,800
Other liabilities	14	11,867,278	47,409,776	2,234,820	9,026,437
Total liabilities		134,376,666	536,834,781	56,224,190	227,089,504
SHAREHOLDERS' EQUITY					
Statutory capital	15	37,000,000	147,815,000	37,000,000	149,443,000
Accumulated losses		(5,790,308)	(23,132,280)	(3,724,509)	(15,043,292)
Total shareholder's equity		31,209,692	124,682,720	33,275,491	134,399,708
Total liabilities and shareholder's equity		165,586,358	661,517,501	89,499,681	361,489,212

FOR THE YEAR ENDED 31 DECEMBER 2012

INCOME STATEMENT

	Note	For the year ended 31 December 2012		For the period ended 31 December 2011	
		US\$	KHR'000	US\$	KHR'000
Interest income	16	5,398,901	21,568,609	1,601,134	6,466,980
Interest expense	16	(1,741,753)	(6,958,303)	(495,958)	(2,003,174)
Net interest income		3,657,148	14,610,306	1,105,176	4,463,806
Fee and commission income	17	806,077	3,220,278	153,492	619,954
Personnel expenses	18	(2,150,555)	(8,591,467)	(1,524,370)	(6,156,930)
Depreciation and amortisation expenses	8,9	(1,850,163)	(7,391,401)	(1,218,147)	(4,920,096)
General and administrative expenses	19	(2,121,980)	(8,477,311)	(1,358,692)	(5,487,758)
Other operating income		78,705	314,427	12,654	51,111
Provision for doubtful debts	6(a)	(422,021)	(1,685,974)	(423,800)	(1,711,728)
Loss before income tax		(2,002,789)	(8,001,142)	(3,253,687)	(13,141,641)
Income tax expense	20	(63,010)	(251,725)	(18,572)	(75,012)
Net loss for the year / the period		(2,065,799)	(8,252,867)	(3,272,259)	(13,216,653)

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF CHANGES IN EQUITY

	Statutory capital US\$	Accumulated losses US\$	Total US\$
For the period ended 31 December 2011			
At 1 January 2011	37,000,000	(452,250)	36,547,750
Net loss for the period	-	(3,272,259)	(3,272,259)
At 31 December 2011	37,000,000	(3,724,509)	33,275,491
In KHR' 000 equivalent (Unaudited)	149,443,000	(15,043,292)	134,399,708
For the year ended 31 December 2012			
At 1 January 2012	37,000,000	(3,724,509)	33,275,491
Net loss for the year	-	(2,065,799)	(2,065,799)
At 31 December 2012	37,000,000	(5,790,308)	31,209,692
In KHR' 000 equivalent	147,815,000	(23,132,280)	124,682,720

FOR THE YEAR ENDED 31 DECEMBER 2012

CASH FLOW STATEMENT

	Note	US\$	For the year ended 31 December 2011 KHR' 000	US\$	For the period ended 31 December 2010 KHR' 000
Cash flows from operating activities					
Cash generated from operations	21	31,845,178	128,952,242	4,773,278	19,278,991
Interest received		5,209,832	20,813,279	1,415,598	5,717,600
Interest paid		(1,432,304)	(5,722,054)	(354,705)	(1,432,653)
Income tax paid		(59,549)	(237,898)	(15,531)	(62,730)
Net cash generated from operating activities		<u>35,563,157</u>	<u>143,805,569</u>	<u>5,818,640</u>	<u>23,501,208</u>
Cash flows from investing activities					
Reserve requirement with the Central Bank		(6,300,000)	(25,168,500)	(5,985,000)	(24,173,415)
Purchase of property and equipment	8	(2,042,971)	(8,161,669)	(3,297,113)	(13,317,039)
Purchase of intangible assets	9	(724,457)	(2,894,206)	(305,612)	(1,234,367)
Net cash used in investing activities		<u>(9,067,428)</u>	<u>(36,224,375)</u>	<u>(9,587,725)</u>	<u>(38,724,821)</u>
Net increase in cash and cash equivalents		26,495,729	107,581,194	(3,769,085)	(15,223,613)
Cash and cash equivalents at beginning of the year		32,037,989	129,401,438	35,807,074	145,126,071
Currency translation differences		-	(3,140,429)	-	(501,020)
Cash and cash equivalents at end of the year	22	<u>58,533,718</u>	<u>233,842,203</u>	<u>32,037,989</u>	<u>129,401,438</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. BACKGROUND INFORMATION

The Bank was incorporated in Cambodia on 20 September 2010 under Registration No. Co. 1935E/2010 dated 23 September 2010 granted by the Ministry of Commerce and commenced operations on 19 November 2010. The Bank is a wholly owned subsidiary of CIMB Bank Berhad, a licensed bank incorporated in Malaysia. CIMB Group Holdings Berhad, a publicly listed company incorporated in Malaysia, is the ultimate holding company.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in Cambodia. The Bank holds a banking operation licence that was issued by the National Bank of Cambodia (“the Central Bank”) on 11 November 2010.

The registered office of the Bank is located at No. 20AB Corner Phreah Norodom Boulevard & Street 118, Sangkat Phsar Chas, Phnom Penh, Kingdom of Cambodia

The financial statements were authorised for issue by the Board of Directors on 29 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards (“CAS”). In applying CAS, the Bank also applies the Cambodian Financial Reporting Standard (“CFRS”) CFRS7: Financial Instruments: Disclosures. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed only to those who are informed about Cambodia accounting principles, procedures and practices. The financial statements are prepared using the historical cost convention. The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

2.2 New accounting standards and interpretations

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on all standards published by International Accounting Standard Board including other interpretation and amendment that may occur in any circumstances to each standards by adding “Cambodian” in front of International Financial Reporting Standards (IFRS). Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

However, on 30 July 2012, Prakas No. 086SHV.KChK was issued approving the delay in the implementation of the CIFRS for banking and financial institution until 1 January 2016. CIFRS are subject to ongoing review and possible amendment by interpretative guidance from the International Accounting Standards Board (IASB) and are therefore still subject to changes.

The Bank is required to present its first financial statements in accordance with CIFRS in respect of the year ending 31 December 2016. The adoption of CIFRS will have significant impact on the financial statements. The Bank will assess the full impact of adopting CIFRS and the CIFRS information will be updated as necessary for any such changes, should they occur.

2.3 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”).

The financial statements are presented in United States dollars (“US\$”), which is the Bank’s functional and presentation currency.

For the sole regulatory purpose of complying with the Prakas No. B7-07-164 dated 13 December 2007 of the Central Bank, a translation to Khmer Riel (“KHR”) is provided for the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements as at and for the financial year ended 31 December 2012 using the official rate of exchange regulated by the Central Bank as at the reporting date, which was US\$ 1 to KHR 3,995 (31 December 2011: US\$1 to KHR 4,039). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate.

(ii) Transactions and balances

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than US\$ at the period-end exchange rate, are recognized in the income statement.

2.4 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than three months from the date of acquisition, including cash on hand, non-restricted balance with the Central Bank and balances with other banks.

2.5 Loans and advances to customers

All loans and advances to customers are stated in the balance sheet at outstanding principal and interest, less any amounts written-off and provision for loan losses.

Loans and advances are written-off when there are no realistic prospects of recovery.

Recoveries of loans and advances previously written off or provided for is recognised in the income statement.

2.6 Provision for loan losses

The Bank follows the mandatory credit classification and provisioning as required by Prakas B7-09-074 dated 25 February 2009 issued by the Central Bank. The Prakas requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of specific provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral as follows:

	Rate of provision (%)
General provision:	
<i>Normal</i>	1
Specific provision:	
<i>Special mention</i>	3
<i>Substandard</i>	20
<i>Doubtful</i>	50
<i>Loss</i>	100

Both past due and qualitative factors shall be taken into account for loan classification and provisioning.

2.7 Other credit-related commitments

In the normal course of business, the Bank enters into other credit-related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to those for originated loans as stated above. Specific provisions are raised against other credit-related commitments when losses are considered probable.

2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure relating to an item of property and equipment are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets under construction is not depreciated. Depreciation of property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following annual rates:

	Percent %
<i>Leasehold improvements</i>	20%
<i>Office equipment</i>	10 – 20%
<i>Computer equipment</i>	20 – 33%
<i>Motor vehicles</i>	20%

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.9 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised over three years using the straightline method.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.10 Interest income and expense

Interest earned on loans and advances to customers, deposits with the Central Bank and other banks is recognised on an accrual basis, except where serious doubt exists as to the collectibility of loans and advances to customers, in which case, interest is suspended until it is realised on a cash basis. The policy on the suspension of interest is in conformity with the Central Bank’s guidelines on the suspension of interest on non-performing loans and provision for loan losses.

Interest expense on deposits from banks and customers is recognised on an accrual basis.

2.11 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Fee and commission income comprise income received from inward and outward bank transfers, ATM fee charges, tread finance and others.

Loan processing fee is recognised as income when loan is disbursed.

2.12 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.13 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are measured at the present value of the expenditures expected

to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Income taxes

The current income tax expense is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in Cambodia.

Deferred tax liability will be provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15 Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operating decisions.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Bank.

2.16 Rounding of amount

Amounts in the financial statements have been rounded-off to the nearest dollar for US\$ amounts and to the nearest thousand KHR for KHR respectively.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

a) Impairment losses on loans and advances

The Bank follows the mandatory assets classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 on asset classification and provisioning in the banking and financial institutions issued by the Central Bank. The Central Bank requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral. For the purpose of loan classification, the Bank takes into account all relevant factors which may affect the counterparties’ repayment abilities.

b) Income tax

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the General Department of Taxation.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the financial period in which such determination is made.

4. BALANCES WITH THE CENTRAL BANK

	31 December 2012		31 December 2011	
	US\$	KHR’ 000	US\$	KHR’ 000
<i>Current account</i>	34,126,638	136,335,919	12,471,255	50,371,399
<i>Fixed deposit (a)</i>	5,000,000	19,975,000	10,000,000	40,390,000
<i>Reserve requirement (b)</i>	12,555,000	50,157,225	6,255,000	25,263,945
<i>Statutory deposit (c)</i>	3,700,000	14,781,500	3,700,000	14,944,300
	55,381,638	221,249,644	32,426,255	130,969,644

(a) Fixed deposit

Fixed deposit with the Central Bank is short term deposit with maturity less than three months.

(b) Reserve requirement

Reserve deposits represent the minimum reserve requirements against deposits and borrowings at a daily average balance equal to 8% in Riels and 12.5% in foreign currencies with the Central Bank.

The 8% reserve requirement will earn no interest. 32% (4%/12.5%) of total reserve requirement in foreign currencies will earn interest at rate 50% of one-month SIBOR calculated on monthly basis.

(c) Statutory deposit

Pursuant to Prakas No. B7-01-136 on Bank’s Capital Guarantee dated 15 October 2001 issued by the Central Bank, banks are required to maintain 10% of their paid up capital as a statutory deposit with the Central Bank. The deposit, which is not available for use in the Bank’s day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

(d) Interest rates

The current account is non-interest bearing. Annual interest rates on other balances with the Central Bank are summarised as follows:

	2012	2011
Fixed deposit	0.10% - 0.14%	0.10% - 0.13%
Reserve requirement	0.10% - 0.12%	0.05% - 0.11%
Statutory deposit	0.18% - 0.20%	0.05% - 0.10%

5. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	31 December 2012		31 December 2011	
	US\$	KHR’ 000	US\$	KHR’ 000
Placements	7,800,000	31,161,000	-	-
Current accounts	4,120,136	16,459,943	6,589,554	26,615,209
	11,920,136	47,620,943	6,589,554	26,615,209

Current accounts bear no interest. Placements with other bank in 2012 are mainly with CIMB Bank Berhad, Malaysia. Placements are short term and earn interest from 0.1% to 0.3% per annum.

6. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2012		31 December 2011	
	US\$	KHR’ 000	US\$	KHR’ 000
Commercial loans:				
Short-term loans	1,005,424	4,016,669	-	-
Long-term loans	51,717,395	206,610,993	29,708,516	119,992,696
Overdrafts	31,859,263	127,277,756	12,658,113	51,126,118
Total loans and advances - gross	84,582,082	337,905,418	42,366,629	171,118,814
Provisions for doubtful loans	(845,821)	(3,379,055)	(423,800)	(1,711,728)
	83,736,261	334,526,363	41,942,829	169,407,086

All loans were granted to individual Cambodian borrowers and entities incorporated in Cambodia.

(a) Provision for doubtful loans

Movements in the provisions for bad and doubtful debts are as follows:

	31 December 2012		31 December 2011	
	US\$	KHR’ 000	US\$	KHR’ 000
At beginning of the year	423,800	1,711,728	-	-
Provision for the year	422,021	1,685,974	423,800	1,711,728
Foreign exchange differences	-	(18,647)	-	-
At end of the year	845,821	3,379,055	423,800	1,711,728

(b) Analysis by classification

	31 December 2012		31 December 2011	
	US\$	KHR’ 000	US\$	KHR’ 000
Standard - secured	84,582,082	337,905,418	42,366,629	171,118,814
	84,582,082	337,905,418	42,366,629	171,118,814

(c) Interest rate

These loans and advances to customers earn interest at annual rates ranging from 6% to 11% (2011: 8% to 12%).

7. OTHER ASSETS

	31 December 2012		31 December 2011	
	US\$	KHR’ 000	US\$	KHR’ 000
Interest receivables	376,234	1,503,055	187,165	755,959
Deposits (*)	252,537	1,008,885	206,804	835,281
Outstanding inward transactions	211,548	845,134	-	-
Office supplies	12,830	51,256	19,478	78,672
Others	200,782	802,125	93,206	376,460
	1,053,931	4,210,455	506,653	2,046,372

(*) This represents office rental deposits which are only refundable at the end of the lease term. The lease term is more than one year and the deposits are non-interest-bearing.

8. PROPERTY AND EQUIPMENT

	Leasehold improvements US\$	Office equipment US\$	Computer equipment US\$	Motor vehicles US\$	Assets in progress US\$	Total US\$
Year ended 31 December 2011						
Open net book value	-	44,538	4,208	248,264	1,279,417	1,576,427
Additions	2,457,452	429,549	1,077,122	154,012	(821,022)	3,297,113
Depreciation charge	(287,385)	(48,783)	(334,551)	(65,422)	-	(736,141)
Closing net book value	2,170,067	425,304	746,779	336,854	458,395	4,137,399

As at 31 December 2011						
Cost	2,457,452	474,425	1,081,566	414,412	458,395	4,886,250
Accumulated depreciation	(287,385)	(49,121)	(334,787)	(77,558)	-	(748,851)
Net book value	2,170,067	425,304	746,779	336,854	458,395	4,137,399
Net book value in KHR’ 000 equivalent	8,764,901	1,717,803	3,016,240	1,360,553	1,851,458	16,710,955

Year ended 31 December 2012						
Open net book value	2,170,067	425,304	746,779	336,854	458,395	4,137,399
Additions	537,063	307,039	167,850	13,368	1,017,651	2,042,971
Transferred in/(out)	562,270	3,630	491,093	13,250	(1,070,243)	-
Depreciation charge	(625,166)	(114,209)	(445,158)	(88,812)	-	(1,273,345)
Closing net book value	2,644,234	621,764	960,564	274,660	405,803	4,907,025

As at 31 December 2012						
Cost	3,556,785	785,094	1,740,509	441,030	405,803	6,929,221
Accumulated depreciation	(912,551)	(163,330)	(779,945)	(166,370)	-	(2,022,196)
Net book value	2,644,234	621,764	960,564	274,660	405,803	4,907,025
Net book value in KHR’ 000 equivalent	10,563,715	2,483,947	3,837,453	1,097,267	1,621,183	19,603,565

9. INTANGIBLE ASSETS

	Computer software US\$	Assets in progress US\$	Total US\$
Year ended 31 December 2011			
Open net book value	1,094,304	-	1,094,304
Additions	305,612	-	305,612
Amortisation	(482,006)	-	(482,006)
Closing net book value	917,910	-	917,910

As at 31 December 2011			
Cost	1,444,645	-	1,444,645
Accumulated amortisation	(526,736)	-	(526,736)
Net book value	917,909	-	917,909
Net book value in KHR’ 000 equivalent	3,707,434	-	3,707,434

Year ended 31 December 2012			
Open net book value	917,909	-	917,909
Additions	471,577	252,880	724,457
Transferred in/(out)	252,880	(252,880)	-
Amortisation	(576,818)	-	(576,818)
Closing net book value	1,065,548	-	1,065,548

As at 31 December 2012			
Cost	2,169,102	-	2,169,102
Accumulated amortisation	(1,103,554)	-	(1,103,554)
Net book value	1,065,548	-	1,065,548
Net book value in KHR’ 000 equivalent	4,256,864	-	4,256,864

10. DEPOSITS FROM BANKS

	31 December 2012		31 December 2011	
	US\$	KHR' 000	US\$	KHR' 000
Current accounts	236,126	943,323	19,995	80,760
Fixed deposits	23,209,375	92,721,453	3,011,250	12,162,439
	23,445,501	93,664,776	3,031,245	12,243,199

Fixed deposits are short-term and have maturities of less than three months. The fixed deposits bear interest from 0.5% to 1.5% per annum (2011: 0.5% to 1.5%).

11. DEPOSITS FROM CUSTOMERS

	31 December 2012		31 December 2011	
	US\$	KHR' 000	US\$	KHR' 000
Current accounts	34,157,844	136,460,587	11,489,731	46,407,024
Savings accounts	7,447,848	29,754,153	4,702,980	18,995,336
Fixed deposits	56,757,538	226,746,364	33,441,883	135,071,765
	98,363,230	392,961,104	49,634,594	200,474,125

Current accounts are non-interest-bearing for normal customers and interest bearing for preferred customers.

Fixed deposits are short-term and have maturities of less than 12 months.

Savings, fixed deposits and current accounts bear the following interest rates per annum:

	2012	2011
Savings accounts	0.5% to 1.50%	0.5% to 1.5%
Fixed deposits	2% to 5%	2.25% to 4.75%
Current accounts	up to 1.75%	-

12. AMOUNT DUE FROM/TO RELATED COMPANY

The amount due from CIMB Bank Berhad was mainly related to the payments made by CIMB Bank PLC on behalf of CIMB Bank Berhad for the benefits paid to trainees from CIMB Bank Berhad and others. The amount due is non-interest-bearing and has no fixed repayment schedule.

The amount due to CIMB Bank Berhad was related to the payments made by CIMB Bank Berhad on behalf of CIMB Bank PLC mainly for the training cost incurred in Malaysia. The amount due is non-interest-bearing and is payable on demand.

13. AMOUNT DUE TO SUPPLIERS

The amount was mainly the payables to suppliers of the construction work and guarantee deposit from constructors. These payables will be settled within 12 months.

14. OTHER LIABILITIES

	31 December 2012		31 December 2011	
	US\$	KHR' 000	US\$	KHR' 000
Banker's cheque and other collection accounts *	10,290,405	41,110,168	1,752,251	7,077,342
Outstanding outward transactions **	543,530	2,171,402	-	-
Accrual interest payable	453,079	1,810,051	143,630	580,122
Accrual bonus payable	280,000	1,118,600	185,000	749,805
Dual currency investment	94,958	379,357	-	-
Accrued tax payable	32,449	129,634	36,837	148,785
Other liabilities	172,857	690,564	117,102	470,383
	11,867,278	47,409,776	2,234,820	9,026,437

* These are outstanding check clearances which were subsequently cleared at clearing house at NBC.

** These are outstanding outward remittances which were subsequently settled to correspondence banks.

All of these liabilities are expected to be settled within one year.

15. SHARE CAPITAL

The registered capital of the Bank as at 31 December 2012 is 37 million shares (31 December 2011: 37 million shares) at a par value of US\$ 1 per share. All shares are fully paid.

Subsequently in January 2013, the Board of Directors and shareholder approval additional capital injection, please refer to note 26 for more details.

16. NET INTEREST INCOME

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Interest income:				
Loans and advances to customers	5,363,839	21,428,536	1,568,405	6,334,788
Loans and advances to staffs	3,256	13,008	-	-
Placements with the Central Bank and other banks	31,806	127,065	32,729	132,192
	5,398,901	21,568,609	1,601,134	6,466,980
Total interest income	5,398,901	21,568,609	1,601,134	6,466,980
Interest expense:				
Current accounts*	(109,959)	(439,286)	-	-
Term deposits	(1,573,614)	(6,286,588)	(469,361)	(1,895,749)
Savings deposits	(58,180)	(232,429)	(26,597)	(107,425)
	(1,741,753)	(6,958,303)	(495,958)	(2,003,174)
Total interest expense	(1,741,753)	(6,958,303)	(495,958)	(2,003,174)
	3,657,148	14,610,306	1,105,176	4,463,806
Net interest income	3,657,148	14,610,306	1,105,176	4,463,806

* Current accounts of preferred customers are interest-bearing.

17. FEE AND COMMISSION INCOME

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Fund remittance fees	398,448	1,591,800	120,803	489,615
Loan processing fees	210,163	839,601	-	-
Loan commitment fees	79,560	317,842	19,849	78,298
Trade finance fee	36,002	143,829	-	-
Other commissions and service charges	81,904	327,206	12,840	52,041
	806,077	3,220,278	153,492	619,954

18. PERSONNEL EXPENSES

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Salaries and wages	1,606,226	6,416,873	1,068,296	4,314,848
Other short-term benefits	266,164	1,063,325	271,074	1,094,868
Bonus and incentive	278,165	1,111,269	185,000	747,214
	2,150,555	8,591,467	1,524,370	6,156,930

19. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Rental	485,074	1,937,871	299,547	1,209,870
Advertising and public relations	273,179	1,091,350	96,527	389,873
Utilities	164,472	657,067	78,304	316,270
Travelling and accommodation	157,168	627,886	89,886	364,308
Bank charges	141,817	566,559	27,591	111,826
Communication expenses	131,115	523,804	99,012	399,909
License fee expenses	128,482	513,286	120,202	487,179
Repair and maintenance	118,501	473,411	105,610	426,559
Director's fee	111,873	446,933	96,166	388,414
Office supplies	77,063	307,867	106,194	428,918
Trade finance expense	58,104	232,125	-	-
Legal and professional fees	38,763	154,858	30,442	122,955
Others expenses	236,369	944,294	209,211	841,677
	2,121,980	8,477,311	1,358,692	5,487,758

20. INCOME TAX EXPENSE

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Current tax (minimum tax)	63,010	251,725	18,572	75,012

a) Reconciliation of income tax

The reconciliation of income tax computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Loss before income tax	(2,002,789)	(8,001,142)	(3,253,687)	(13,141,641)
Tax calculated at 20%	(400,558)	(1,600,228)	(650,737)	(2,628,328)
Tax effects in respect of: Expenses not deductible for tax purposes	26,575	106,167	18,346	74,099
Tax on profit at 20%	-	-	-	-
Minimum tax	63,010	251,725	18,572	75,012

b) Minimum tax

Tax on profit of the Bank is computed based on minimum tax. Minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all the taxes. Taxes are paid either:

- at 20% of taxable profit, or
- at the Minimum tax rate of 1% of total revenue inclusive of value added tax, whichever is higher.

c) Other tax matters

The Bank's tax returns are subject to periodic examination by the General Department of Taxation. As the application of tax laws and regulations to various types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date, upon final determination by the General Department of Taxation.

21. CASH GENERATED FROM OPERATIONS

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Loss before income tax	(2,002,789)	(8,001,142)	(3,253,687)	(13,141,641)
Adjustments for:				
Provision for doubtful debt	422,021	1,685,974	423,800	1,711,728
Depreciation (Note 8)	1,273,345	5,087,013	736,141	2,973,273
Amortisation (Note 9)	576,818	2,304,388	482,006	1,946,823
Net interest income	(3,657,148)	(14,610,306)	(1,105,176)	(4,463,806)
Operating profit before changes in operating assets and liabilities	(3,387,753)	(13,534,073)	(2,716,916)	(10,973,623)
Changes in operating assets and liabilities				
Loans and advances to customers	(42,215,453)	(166,786,604)	(42,366,629)	(171,118,814)
Other assets	(358,209)	(1,431,045)	(220,454)	(890,414)
Deposits from banks	20,414,256	81,421,577	3,011,255	12,162,179
Deposits from customers	48,728,636	194,670,901	46,623,471	188,312,199
Amount due from/to related company	(372,947)	(1,489,923)	(1,087,131)	(4,390,922)
Amount due to suppliers	(286,361)	(1,144,012)	(208,312)	(841,372)
Other liabilities	9,323,009	37,245,421	1,737,994	7,019,758
Cash generated from operations	31,845,178	128,952,242	4,773,278	19,278,991

22. CASH AND CASH EQUIVALENTS

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Cash on hand	7,486,944	29,910,341	2,977,180	12,024,830
Balances with the Central Bank:				
Current account	34,126,638	136,335,919	12,471,255	50,371,399
Term deposits (maturity less than three months)	5,000,000	19,975,000	10,000,000	40,390,000
Balances with other banks:				
Current account	4,120,136	16,459,943	6,589,554	26,615,209
Placements	7,800,000	31,161,000	-	-
	58,533,718	233,842,203	32,037,989	129,401,438

23. COMMITMENTS AND CONTINGENT LIABILITIES

a) Commitments to extend credit

At 31 December 2012, the Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Loan commitment	5,000,910	19,978,635	5,455,600	22,035,168
Letter of credits	7,227,154	28,872,480	-	-
Acceptance	447,422	1,787,451	-	-
Unused portion of overdrafts	11,934,323	47,677,621	9,323,540	37,657,778
	24,609,809	98,316,187	14,779,140	59,692,946

b) Operating lease commitments

As at 31 December 2012, the Bank has non-cancellable lease commitments in respect of its leases of premises.

The future aggregate minimum lease payments under non-cancellable operating leases of the Bank are as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Not later than one year	417,672	1,668,600	345,120	1,393,940
Later than one year but not more than five years	252,578	1,009,049	483,855	1,954,288
	670,250	2,677,649	828,975	3,348,228

24. RELATED-PARTY TRANSACTIONS AND BALANCES

a) Related-parties and relationship

The Bank is a wholly-owned subsidiary of CIMB Bank Berhad, a licensed bank incorporated in Malaysia. CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, is the ultimate holding company.

Key management personnel of the Bank are all directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members).

b) Related-party balances

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Due to:				
Intermediate parent company:				
Amounts due to CIMB Bank Berhad (Note 12)	44,554	177,993	384,528	1,553,109
Deposits and placements from key management personnel	176,667	705,785	6,843	27,639
	221,221	883,778	391,371	1,580,748

Due from: deposit and placement with:

Intermediate parent company	9,245,092	36,934,142	6,570,741	26,539,223
Fellow subsidiaries	1,967,312	7,859,411	18,813	75,986

c) Related-party transactions

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Expenses:				
Interest expense paid/payable on deposits from key management personnel	1,298	5,186	307	1,240

d) Key management personnel remuneration

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Director's fee	111,873	446,933	96,166	388,414
Salaries and short-term benefits	250,836	1,002,090	315,386	1,273,844
	362,709	1,449,023	411,552	1,662,258

25. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), liquidity risk and operational risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank does not use derivative financial instruments to manage its risk exposures.

The financial assets and liabilities held by the Bank are as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Financial assets				
Cash on hand	7,486,944	29,910,341	2,977,180	12,024,830
Balances with the Central Bank	55,381,638	221,249,644	32,426,255	130,969,644
Deposits and placements with other banks	11,920,136	47,620,943	6,589,554	26,615,209
Loans and advances to customers*	84,582,082	337,905,418	42,366,629	171,118,814
Amount due from related company	34,875	139,326	1,902	7,682
Other assets	840,319	3,357,074	393,969	1,591,241
	160,245,994	640,182,746	84,755,489	342,327,420
Financial liabilities				
Deposits from banks	23,445,501	93,664,776	3,031,245	12,243,199
Deposits from customers	98,363,230	392,961,104	49,634,594	200,474,125
Amount due to related company	44,554	177,993	384,528	1,553,109
Amount due to suppliers	649,473	2,594,645	935,834	3,779,834
Other liabilities	11,381,750	45,470,091	2,197,983	8,877,653
	133,884,508	534,868,609	56,184,184	226,927,920
Net financial assets	26,361,486	105,314,137	28,571,305	115,399,500

* excludes general provision for loan losses.

25.1 Credit risk

The Bank is exposed to credit risk, which is the possibility of losses due to the obligor or counterparty failing to perform its contractual obligation to the Bank. Credit risk is the most significant risk to the Bank's business. Credit risk exposure arises principally in lending activities and also from off-balance sheet financial instruments. The credit risk management is effected through the Bank's credit committee.

Exposure to credit is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

a) Credit risk measurement

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

The Bank also ensures that there is a clear segregation of duties between loan originators, evaluators and approving authorities.

b) Risk limit control and mitigation policies

The Bank manages limits and controls concentration of credit risk whenever they are identified - in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments.

Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on level of credit risk by product and industry sector are approved by Board of Directors.

Large exposure is defined by the Central Bank as overall credit exposure to any single beneficiary that exceeds 10% of the Bank's net worth. The Bank is required, under the conditions of Prakas No. B7-06-226 of the Central Bank, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank employs a range of policies and practices to mitigate credit risk, including requiring borrowers to pledge collateral against loans and advances granted by the Bank.

c) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas as stated in note 2.6 to the financial statements.

Loans and advances less than 90 days past due are not considered impaired, unless other information available indicates otherwise.

d) Maximum exposure to credit risk before collateral held or other credit enhancements

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Credit risks exposures relating to on-balance sheet assets:				
Balances with other banks	11,920,136	47,620,943	6,589,554	26,615,209
Loans and advances to customers*	84,582,082	337,905,418	42,366,629	171,118,814
Amount due from related company	34,875	139,326	1,902	7,682
Other assets	840,319	3,357,074	393,969	1,591,241
Credit risk exposures relating to off-balance sheet items:				
Loan commitments	5,000,910	19,978,635	5,455,600	22,035,168
Letter of credits	7,227,154	28,872,480	-	-
Acceptance	447,422	1,787,451	-	-
Unused portion of approved credit facilities	11,934,323	47,677,621	9,323,540	37,657,778
	121,987,221	487,338,948	64,131,194	259,025,892

* excludes general provision for loan losses.

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2012 and 2011, without taking account of any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts excluding general provision.

As shown above, 69% of total maximum exposure is derived from loans and advances to customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans and advances on the followings:

- Most of loans and advances of the Bank are collateralised and credit is given at 60% to 70% of collateral value.
- Most of loans portfolios are considered neither past due nor impaired.
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.

e) Loans and advances

Loans and advances are summarised as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Loans and advances neither past due nor impaired	84,582,082	337,905,418	42,366,629	171,118,814
Less: Provision for doubtful debts	(845,821)	(3,379,055)	(423,800)	(1,711,728)
Net loans and advances	83,736,261	334,526,363	41,942,829	169,407,086

For the purpose of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirement. The total provision for loan loss is US\$845,821 which represents 1% general provision for all outstanding loans and advances.

(i) Loans and advances neither past due nor impaired

Loans and advances not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Neither loans and advances are past due nor impaired as at 31 December 2012.

(iii) Loans and advances individually impaired

In accordance with Prakas No. B7-09-074 dated 25 February 2009 on the classification and provisioning for loan losses, loans and advances past due more than 90 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

There is no loans and advances that are individually impaired as at 31 December 2012.

(iv) Loans and advances renegotiated

There were no renegotiated loans and advances at 31 December 2012.

f) Repossessed collateral

During the year ended 31 December 2012, the Bank did not obtain assets by taking possession of collateral held as security.

g) Concentration of financial assets with credit risk exposure

(i) Geographical sector

The following table breaks down the Bank’s main credit exposure at their carrying amount, as catergorised by geographical region as at 31 December 2012. For this table, the Bank has allocated exposure to countries based on the country of domicile of our counterparties.

	Cambodia US\$	Malaysia US\$	Thailand US\$	America US\$	Singapore US\$	Indonesia US\$	Total US\$
At 31 December 2012							
Deposits and placements with other banks	2,996	9,245,092	1,928,706	704,736	26,512	12,094	11,920,136
Loans and advances to customers *	84,582,082	-	-	-	-	-	84,582,082
Amount due from related company	-	34,875	-	-	-	-	34,875
Other assets	840,319	-	-	-	-	-	840,319
Total financial assets	85,425,397	9,279,967	1,928,706	704,736	26,512	12,094	97,377,412
In KHR’000 equivalent	341,274,462	37,073,468	7,705,180	2,815,420	105,915	48,316	389,022,761

At 31 December 2011

Deposits and placements with other banks	-	6,589,554	-	-	-	-	6,589,554
Loans and advances to customers *	42,366,629	-	-	-	-	-	42,366,629
Amount due to related company	-	1,902	-	-	-	-	1,902
Other assets	393,969	-	-	-	-	-	393,969
Total financial assets	42,760,598	6,591,456	-	-	-	-	49,352,054
In KHR’000 equivalent	172,710,055	26,622,891	-	-	-	-	199,332,946

(*) excludes general provision for loan losses.

(ii) Industry sector

The following table breaks down the Bank’s main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Financial institution US\$	Services US\$	Real estate business US\$	Wholesales and retails US\$	Constructions US\$	Import US\$	Other industries US\$	Individuals US\$	Total US\$
31 December 2012									
Deposits and placements with other banks	11,920,136	-	-	-	-	-	-	-	11,920,136
Loans and advances to customers*	877,113	11,546,331	11,547,729	14,932,032	3,198,451	6,988,626	19,686,087	15,805,713	84,582,082
Amount due from related company	34,875	-	-	-	-	-	-	-	34,875
Other assets	840,319	-	-	-	-	-	-	-	840,319
As at 31 December 2012	13,672,443	11,546,331	11,547,729	14,932,032	3,198,451	6,988,626	19,686,087	15,805,713	97,377,412
In KHR ’000 equivalents	54,621,410	46,127,592	46,133,177	59,653,468	12,777,812	27,919,561	78,645,918	63,143,823	389,022,761
31 December 2011									
Deposits and placements with other banks	6,589,554	-	-	-	-	-	-	-	6,589,554
Loans and advances to customers*	-	13,772,618	9,027,023	6,763,397	3,551,411	3,192,577	1,172,493	4,887,110	42,366,629
Amount due to related company	1,902	-	-	-	-	-	-	-	1,902
Other assets	393,969	-	-	-	-	-	-	-	393,969
As at 31 December 2011	6,985,425	13,772,618	9,027,023	6,763,397	3,551,411	3,192,577	1,172,493	4,887,110	49,352,054
In KHR ’000 equivalents	28,214,132	55,627,604	36,460,146	27,317,360	14,344,149	12,894,819	4,735,699	19,739,037	199,332,946

* excludes general provision for loan losses.

25.2 MARKET RISK

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

As of 31 December 2012, the Bank did not have financial instruments carried at fair value. The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hold its risk exposures.

a) Price risk

The Bank is not exposed to securities price risk because it does not hold any investment, that is classified in the balance sheet either as available-for-sale or at fair value through profit or loss.

b) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank’s functional currency. The Bank mainly transacts in US\$, which is the Bank’s functional currency and the Bank does not have significant exposure to foreign exchange risk.

The table below summarises the financial assets and financial liabilities of the Bank by currency as at 31 December 2012.

At 31 December 2012	US\$	IDR	THB	JPY	Others	Total	
Financial assets							
Cash on hand	7,466,230	-	-	-	20,714	7,486,944	
Balances with Central Bank	55,363,824	-	-	-	17,814	55,381,638	
Deposits and placements with other banks	9,002,760	12,095	1,928,822	522,087	454,372	11,920,136	
Loans and advances to customers*	84,582,082	-	-	-	-	84,582,082	
Amount due from related company	34,875	-	-	-	-	34,875	
Other assets	840,319	-	-	-	-	840,319	
	157,290,090	12,095	1,928,822	522,087	492,900	160,245,994	
Financial liabilities							
Deposits from banks	23,445,501	-	-	-	-	23,445,501	
Deposits from customers	95,603,044	-	1,920,142	427,689	412,355	98,363,230	
Amount due to related company	-	-	-	-	44,554	44,554	
Amount due to suppliers	649,473	-	-	-	-	649,473	
Other liabilities	11,381,750	-	-	-	-	11,381,750	
	131,079,768	-	1,920,142	427,689	456,909	133,884,508	
Net on-balance sheet position	26,210,322	12,095	8,680	94,398	35,991	26,361,486	
In KHR'000 equivalent	104,710,236	48,321	34,677	377,120	143,784	105,314,138	
Credit commitments	24,609,809	-	-	-	-	24,609,809	
In KHR'000 equivalent	98,316,187	-	-	-	-	98,316,187	
At 31 December 2011	US\$	IDR	KHR	MYR	SGD	THB	Total
Financial assets							
Cash on hand	2,962,701	-	14,479	-	-	-	2,977,180
Balances with Central Bank	32,421,034	-	5,221	-	-	-	32,426,255
Deposits and placements with other banks	6,570,709	11,000	-	-	7,813	32	6,589,554
Loans and advances to customers*	42,366,629	-	-	-	-	-	42,366,629
Amount due from related company	1,902	-	-	-	-	-	1,902
Other assets	393,969	-	-	-	-	-	393,969
	84,716,944	11,000	19,700	-	7,813	32	84,755,489
Financial liabilities							
Deposits from banks	3,031,245	-	-	-	-	-	3,031,245
Deposits from customers	49,634,594	-	-	-	-	-	49,634,594
Amount due to related company	384,528	-	-	-	-	-	384,528
Amount due to suppliers	923,924	-	11,910	-	-	-	935,834
Other liabilities	2,164,504	-	8,745	24,734	-	-	2,197,983
	56,138,795	-	20,655	24,734	-	-	56,184,184
Net on-balance sheet position	28,578,149	11,000	(955)	(24,734)	7,813	32	28,571,305
In KHR'000 equivalent	115,427,143	44,429	(3,857)	(99,901)	31,557	129	115,399,500
Credit commitments	14,779,140	-	-	-	-	-	14,779,140
In KHR'000 equivalent	59,692,946	-	-	-	-	-	59,692,946

* excludes general provision for loan losses.

c) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase or decrease due to unexpected movements in rates. The management regularly monitors any mismatch of interest rate re-pricing undertaken.

The table below summarises the Bank's exposure to interest rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 Years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
At 31 December 2012							
Financial assets							
<i>Cash on hand</i>	-	-	-	-	-	7,486,944	7,486,944
<i>Balances with the Central Bank</i>	12,717,600	-	-	-	-	42,664,038	55,381,638
<i>Deposits and placements with other banks</i>	7,800,000	-	-	-	-	4,120,136	11,920,136
<i>Loans and advances to customers*</i>	1,642,205	10,571,607	20,650,995	11,698,371	40,018,904	-	84,582,082
<i>Amount due from related company</i>	-	-	34,875	-	-	-	34,875
<i>Other assets</i>	-	-	-	-	-	840,319	840,319
	22,159,805	10,571,607	20,685,870	11,698,371	40,018,904	55,111,437	160,245,994
Financial liabilities							
<i>Deposits from banks</i>	5,000,000	18,209,375	-	-	-	236,126	23,445,501
<i>Deposits from customers</i>	35,430,854	9,298,106	30,373,100	-	-	23,261,170	98,363,230
<i>Amount due to related company</i>	-	-	-	-	-	44,554	44,554
<i>Amount due to suppliers</i>	-	-	-	-	-	649,473	649,473
<i>Other liabilities</i>	-	-	-	-	-	11,381,750	11,381,750
	40,430,854	27,507,481	30,373,100	-	-	35,573,073	133,884,508
Total interest rate re-pricing gap	(18,271,049)	(16,935,874)	(9,687,230)	11,698,371	40,018,904	19,538,364	26,361,486
In KHR' 000 equivalent	(72,992,841)	(67,658,817)	(38,700,484)	46,734,992	159,875,521	78,055,764	105,314,135

At 31 December 2011							
Financial assets							
<i>Cash on hand</i>	-	-	-	-	-	2,977,180	2,977,180
<i>Balances with the Central Bank</i>	15,701,600	-	-	-	-	16,724,655	32,426,255
<i>Deposits and placements with other banks</i>	-	-	-	-	-	6,589,554	6,589,554
<i>Loans and advances to customers (*)</i>	-	-	12,658,113	8,390,377	21,318,139	-	42,366,629
<i>Amount due from related company</i>	-	-	-	-	-	1,902	1,902
<i>Other assets</i>	-	-	-	-	-	393,969	393,969
	15,701,600	-	12,658,113	8,390,377	21,318,139	26,687,260	84,755,489
Financial liabilities							
<i>Deposits from banks</i>	-	3,011,250	-	-	-	19,995	3,031,245
<i>Deposits from customers</i>	19,897,514	15,254,609	2,992,740	-	-	11,489,731	49,634,594
<i>Amount due to related company</i>	-	-	-	-	-	384,528	384,528
<i>Amount due to suppliers</i>	-	-	-	-	-	935,834	935,834
<i>Other liabilities</i>	-	-	-	-	-	2,197,983	2,197,983
	19,897,514	18,265,859	2,992,740	-	-	15,028,071	56,184,184
Total interest rate re-pricing gap	(4,195,914)	(18,265,859)	9,665,373	8,390,377	21,318,139	11,659,189	28,571,305
In KHR' 000 equivalent	(17,006,039)	(73,775,805)	39,038,442	33,888,733	86,402,417	47,254,693	115,802,441

* excludes general provision for loan losses.

25.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligation when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.

a) Liquidity risk management process

The management monitors balance sheet liquidity and manages the concentration and profile of debt maturities as well as the movements of main depositors and projection of their withdrawals.

b) Funding approach

The Bank's main sources of funding are from shareholder's paid-up capital and deposits from banks and customers. The sources of funding are reviewed daily through management's review of maturity profile of fixed deposits

c) Non-derivative cash flows

The table below presents the cash flows arising from non-derivative financial assets and liabilities by remaining contractual maturities as at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash flows.

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
At 31 December 2012						
Liabilities						
<i>Deposits from banks</i>	5,226,279	18,239,996	-	-	-	23,466,275
<i>Deposits from customers</i>	58,249,231	9,435,430	31,231,775	-	-	98,916,436
<i>Amount due to related company</i>	-	-	44,554	-	-	44,554
<i>Amount due to suppliers</i>	649,473	-	-	-	-	649,473
<i>Other liabilities</i>	11,101,750	199,313	80,687	-	-	11,381,750
Total financial liabilities (contractual maturity dates)	75,226,733	27,874,739	31,357,016	-	-	134,458,488
Total financial assets (contractual maturity dates)	77,271,242	10,571,607	20,685,870	11,698,371	40,018,904	160,245,994
Net liquidity gap - US\$	152,497,975	38,446,346	52,042,886	11,698,371	40,018,904	294,704,482
In KHR' 000 equivalent	609,229,410	153,593,152	207,911,330	46,734,992	159,875,521	1,177,344,405
At 31 December 2011						
Liabilities						
<i>Deposits from banks</i>	19,995	3,022,533	-	-	-	3,042,528
<i>Deposits from customers</i>	31,293,582	15,403,002	3,091,860	-	-	49,788,444
<i>Amount due to related company</i>	384,528	-	-	-	-	384,528
<i>Amount due to suppliers</i>	935,834	-	-	-	-	935,834
<i>Other liabilities</i>	2,197,983	-	-	-	-	2,197,983
Total financial liabilities (contractual maturty dates)	34,831,922	18,425,535	3,091,860	-	-	56,349,317
Total financial assets (contractual maturity dates)	36,603,860	1,017,187	4,577,340	21,332,364	24,705,932	88,236,683
Net liquidity gap - US\$	1,771,938	(17,408,348)	1,485,480	21,332,364	24,705,932	31,887,366
In KHR' 000 equivalent	7,156,858	(70,312,318)	5,999,854	86,161,418	99,787,259	128,793,071

d) Off-balance sheet items

(i) Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extent credit to customers and other facilities (Note 23), are summarised in below table.

(ii) Other financial facilities

Other financial facilities (Note 23) are also included below based on the earliest contractual date.

The table below presents the cash outflows arising from the financial commitments of the Bank as at 31 December 2012 based on the contractual maturity dates:

	Not later than 1 year	Total
At 31 December 2012		
<i>Loan commitments US\$</i>	5,000,910	5,000,910
<i>Letter of credits</i>	7,227,154	7,227,154
<i>Acceptance</i>	447,422	447,422
<i>Unused portion of approved overdraft US\$</i>	11,934,323	11,934,323
	24,609,809	24,609,809
Financial commitments - KHR' 000 equivalent	98,316,187	98,316,187
At 31 December 2011		
<i>Loan commitments US\$</i>	5,455,600	5,455,600
<i>Unused portion of approved overdraft US\$</i>	9,323,540	9,323,540
	14,779,140	14,779,140
Financial commitments - KHR' 000 equivalent	59,692,946	59,692,946

25.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risk.

The Bank has established policies and procedures to provide guidance to the key operating units on the risk governance structure and baseline internal controls necessary to identify, assess, monitor and control their operational risks. Internal control policies and measures that have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation ensuring compliance with regulatory and legal requirements. The policies and procedures are reviewed periodically, taking into account the business objectives and strategies of the Bank as well as regulatory requirements.

The immediate holding company's internal audit function provides independent assessment of the adequacy of the internal control policies and procedures of the Bank to mitigate risk associated with operational activities. Any findings arising from the audit and review will be escalated to the Audit Committee and senior management of the Bank.

25.5 Fair value of financial assets and liabilities

As at the balance sheet date, the fair values of financial instruments of the Bank approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions:

a) Deposits and placements with other banks

Deposits and placements with other banks include current accounts, which are non-interest bearing and short term fixed deposits. The fair values of deposits and placements with other banks approximates their carrying amounts.

b) Loans and advances to customers

Loans and advances are net of provision for loan losses. The provision of loan losses is made under the requirements of Central Bank's Prakas.

c) Deposits from banks and customers

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.

d) Other assets and liabilities

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

25.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- To comply with the capital requirement set by the Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can provide returns to its shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of business.

The Central Bank requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Bank's net worth of at least equals to minimum capital and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of the Bank's regulatory capital:

	31 December 2012		31 December 2011	
	US\$	KHR '000	US\$	KHR '000
Tier 1 (core capital)				
<i>Statutory capital</i>	37,000,000	147,815,000	37,000,000	149,443,000
<i>Accumulated losses</i>	(5,790,308)	(23,132,280)	(3,724,509)	(15,043,292)
	31,209,692	124,682,720	33,275,491	134,399,708
Less:				
<i>Intangible assets</i>	(1,065,548)	(4,256,864)	(917,909)	(3,707,434)
	30,144,144	120,425,856	32,357,582	130,692,274
Tier 2 (complementary capital)				
<i>General provision (Prakas on Asset Classification)</i>	845,821	3,379,054	423,800	1,711,728
Regulated capital/net worth	30,989,965	123,804,910	32,781,382	132,404,002

As at 31 December 2012, the Bank's net worth fell below minimum capital due to accumulated losses. However, the Bank obtained an approval letter from the Central Bank on 17 September 2010 on exemption from injecting additional capital to fulfil the shortfall for the first three years of from the date of commercial operation. If the accumulated losses for the first three years is in exceed of projected losses submitted to the Central Bank, the Bank will be required to cover the excesses. Subsequently in January 2013, the Board of Directors and shareholder approval additional capital injection, please refer to note 26 for more details.

26. SUBSEQUENT EVENT

To improve the Bank's net worth, the Board of Directors and Shareholder resolved on 14 January 2013 to approve amendments of the memorandum and articles of association to inject additional capital of US\$8 million. This additional capital was injected by the shareholder on 22 January 2013 to the Bank's Nostro account maintained at Head Office of parent company.

The Bank submitted its request for approval on the additional capital injection to the National Bank of Cambodia on 20 February 2013.

NOTES ON COMPLIANCE WITH THE CENTRAL BANK'S PRAKAS

1. LIQUIDITY RATIO, PRAKAS NO. B7-04-207

The Bank was in compliance with this Prakas which requires a Liquidity Ratio of at least 50%. As at 31 December 2012, the Bank's Liquidity Ratio was 61% (2011: 105%).

The Liquidity Ratio calculation is detailed in Schedule 1.

2. MINIMUM CAPITAL REQUIREMENT, PRAKAS NO. B7-00-39

The Central Bank's Prakas No. B 7-08-139 on new capital requirement and criteria for licensing approval of banks requires that commercial banks locally incorporated as companies that have at least one influential shareholder, being a bank or financial institution with an "investment grade" rating, extended by a reputable rating agency must have minimum capital equal to at least KHR 50 billion (or US\$13 million) and commercial banks having as shareholders individuals or companies must have a minimum capital of at least KHR 150 billion (approximately US\$37 million) by the end of year 2010.

As at 31 December 2012, the Bank has a paid-up statutory capital of US\$37million (2011: US\$37million).

3. NET WORTH, PRAKAS NO. B7-010-182

The Bank must maintain their net worth at least equal to the minimum capital.

The Bank's net worth as at 31 December 2012 amounted to US\$ 30,989,965 (2011: US\$32,781,382) as computed in Schedule 2. The Bank's net worth fell below the minimum capital.

As at 31 December 2012, the Bank's net worth fell below minimum capital due to accumulated losses. However, the Bank obtained an approval letter from the Central Bank on 17 September 2010 on exemption from injecting additional capital to fulfil the shortfall for the first three years from the date of commercial operation. Under this letter, the Bank is allowed to have its net worth falls below minimum capital for the period of three years but limited to the projected losses submitted to the Central Bank.

To improve the Bank's net worth, the Board of Directors and Shareholder resolved on 14 January 2013 to approve amendments of the memorandum and articles of association to inject additional capital of US\$8 million. This additional capital was injected by the shareholder on 22 January 2013 to the Bank's Nostro account maintained at Head Office of parent company.

The Bank submitted its request for approval on the additional capital injection to the National Bank of Cambodia on 20 February 2013.

4. SOLVENCY RATIO, PRAKAS NO. B7-04-206

As at 31 December 2012, the Bank maintained a Solvency Ratio of 26.79% (2011: 54.12%), representing the Bank's net worth as a percentage of its risk-weighted assets and off-balance sheet items.

The Bank was in compliance with this Prakas which requires a Solvency Ratio of at least 15%.

The Solvency Ratio calculation is detailed in Schedule 3.

5. FOREIGN CURRENCY TRANSACTIONS, PRAKAS NO. B7-00-50

The Bank transacts its business primarily in United States dollars (US\$) and maintains its books of accounts in US\$. Accordingly, all currencies other than US\$ are considered as foreign currencies.

Balance sheet items

As at 31 December 2012, in accordance with Prakas No. B7-00-50, all assets and liabilities of the Bank that were denominated in foreign currencies were translated using the year end exchange rate

Off-balance sheet items

The Bank is required to record off-balance sheet items from the commitments arising from the purchase and sale of foreign currencies relating to spot transactions (with a completion period of two days) and forward foreign exchange transactions.

As at 31 December 2012, the Bank was in compliance with this Prakas.

6. NET OPEN POSITION IN FOREIGN CURRENCY, PRAKAS NO. B7-07-134

Net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed 20% of Bank's net worth.

As at 31 December 2012, the Bank was in compliance with the Prakas of net open position in foreign currency. The calculation is detailed in Schedule 4.

7. CLASSIFICATION OF AND PROVISIONING FOR LOSSES ON LOANS AND ADVANCES,

Prakas No. B7-00-51, ITS AMENDMENT PER Prakas B7-02-145 AND Circular B7-04-01

The Bank is in compliance with the Central Bank's requirement, with respect to the minimum level of specific provisioning to be applied on the respective classification of loans and advances, as defined by this Prakas.

The details of the computation of the required loan provision to comply with the Central Bank's requirements are provided in Schedule 5.

8. LARGE CREDIT EXPOSURES, PRAKAS NO. B7-00-52 AND B706-226 BK

Banks are required, under the conditions of the above Prakas, to maintain at all times a maximum ratio of 20% between their overall exposure resulting from their operations with each individual beneficiary and their net worth and the aggregate individual large credit exposure must not be more than 300% of the Bank's net worth.

Banks are required, under the conditions of this Prakas, to maintain at all times a maximum ratio of 20% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

As at 31 December 2012, the Bank was in compliance with this Prakas.

9. LOANS TO RELATED PARTIES, PRAKAS NO. B7-02-146

The Bank was in compliance with this Prakas which requires the total of the weighted outstanding balances of loans to related parties to be not more than 10% of the Bank's net worth.

As at 31 December 2012, the Bank was in compliance with this Prakas.

10.FIXED ASSETS, PRAKAS NO. B7-01-186

Fixed assets acquired by banks for operational purposes shall be less than 30% of the Bank's total net worth as defined in Prakas B7-00-47. Fixed assets with no direct link to operating the Bank shall be sold not later than one year after the date they became the property of the Bank.

As at 31 December 2012, the Bank's fixed assets amounting to US\$ 6,048,544 (2011: US\$5,055,308) were equivalent to 19.52% (2011: 15.42%) of the Bank's net worth and this is therefore in compliance with the fixed asset ratio required by this Prakas.

SCHEDULE 1 LIQUIDITY RATIO AS AT 31 DECEMBER 2012

LIQUIDITY RATIO	
NUMERATOR	US\$
1. Treasury balance	
<i>Debit items</i>	
Cash on hand	7,486,944
Deposits with the Central Bank	
(excluding statutory deposit and reserve requirement)	39,126,638
Deposits with other banks and financial institutions	11,920,136
Portion of lending to banks and FI	
with not more than one month to run	-
	<u>58,533,718</u>
Less:	
<i>Credit items</i>	
Sight accounts maintained by the Central Bank,	
banks or financial Institutions	23,009,375
Borrowings from the Central Bank	
with not more than one month to run	-
	<u>35,524,343</u>

Net balance - Lender position

1. Lending with not more than one month to run (exclude loans with no maturity)

2. Treasury bills with not more than one month to run (double)

TOTAL NUMERATOR (A)35,524,343

DENOMINATOR

1. 80% of FD & CD having not more than one month to run13,669,066

2. 50% of FD & CD having more than one month to run19,935,603

3. 50% of savings deposits3,723,924

4. 60% of demand deposits20,636,382

TOTAL DENOMINATOR (B)57,964,975

LIQUIDITY RATIO (A/B)61%

SCHEDULE 2NET WORTH AS AT 31 DECEMBER 2012

NET WORTH

Tier (Core Capital)US\$

I. Subtotal - A

Paid-up capital

Reserves (other than revaluation: translation reserve, general reserve and capital reserve)37,000,000

Audited net income for the last financial period

Retained earnings brought forward (restated)

Other Item (NBC approved)

Premiums related to capital

Other items approved by the Central Bank

Total (A)37,000,000

Limited check on retained earnings: Max 20% of Total A

II. Subtotal - B

Own shares held (at Book Value)

Accumulated losses5,790,308

Intangible assets to be deducted1,065,548

Shareholders, directors, related parties (deduct)

1. Unpaid portion(s) of capital (a)

2. Loans, overdrafts and other advances (b)

3. Debt instruments held bearing signature of shareholders, directors, related parties (c)

Other losses

Total (B)6,855,856

Total Tier 1 (Core Capital) (A) - (B)30,144,144

Tier (Complementary Capital)

III. Sub-Total C

Revaluation reserves approved by the Central Bank

Provisions for general banking risks

1% General provision (Prakas on Asset Class.)845,821

Subordinated debts approved by the Central Bank

Other items approved by the Central Bank

Total (C)845,821

Limit check on Subordinated Debt (max. 50 % of Tier 1 Capital)3%

IV. Sub-Total D (Tier 2, Deductions)

Equity participation banking & Fin. Institution

Other items to be deducted (def. charge...)

Total (D)

Total Tier 2 (Complementary Capital) (C) - (D)845,821

Limit check on Tier 2 capital (Tier 2 = max. 100 % of Tier 1)3%

Regulatory Net Worth (A)- (B) + (C) - (D)30,989,965

SCHEDULE 3SOLVENCY RATIO AS AT 31 DECEMBER 2012

SOLVENCY RATIO

NumeratorUS\$30,989,965

Net Worth as computed above (N)

DenominatorAssetsWeighting

Total gross assets

Cash, gold and claims on the Central Bank52,857,1460% -

Assets collateralised by deposits -0% -

Claims on sovereign rated AAA to AA- -0% -

Claims on sovereign rated A+ to A- -20% -

Claims on banks rated AAA to AA- -20% -

Claims on sovereign rated BBB+ to BBB- -50% -

Claims on banks rated A+ to A- -50% -

Other assets112,729,212100%112,729,212

Total assets as reported in the balance sheet165,586,358112,729,212

Off-balance sheet items

Full risk -100% -

Medium risk5,862,98550%2,931,493

Moderate risk -20% -

Low risk18,746,8240% -

24,609,8092,931,493

Denominator (D1)115,660,705

SOLVENCY RATIO: (S = N / D1)26.79%

SCHEDULE 4NET OPEN POSITION IN FOREIGN CURRENCY AS AT 31 DECEMBER 2012

At 31 December 2012IDRTHBJPYOthersTotal

Assets

Cash on hand - - - 20,71420,714

Balances with Central Bank - - - 17,81417,814

Deposits and placements with other banks12,0951,928,822522,087454,3722,917,376

Loans and advances to customers - - - - -

Other assets - - - - -

12,0951,928,822522,087492,9002,955,904

Liabilities

Deposits from banks - - - - -

Deposits from customers - 1,920,142427,689412,3552,760,186

Amount due to related company - - - 44,55444,554

Amount due to suppliers - - - - -

Other liabilities - - - - -

- 1,920,142427,689456,9092,804,740

Net on-balance sheet position12,0958,68094,39835,991151,164

In KHR'000 equivalent48,32134,677377,120143,784603,902

% compared to net worth0.04%0.03%0.30%0.12%0.49%

SCHEDULE 5CLASSIFICATION OF AND PROVISIONING FOR LOAN LOSSES AS AT 31 DECEMBER 2012

The details of the Central Bank's required provision following its mandatory provisioning requirements based on the prescribed credit classification of loans and advances to customers are provided in the following table.

	Loan Amount	The Central Bank required		Provision	Provision recorded by the Bank	Estimated collateral value	Over/(Under) provision amount
		Classification	Rate				
	US\$		%	US\$	US\$	US\$	US\$
Loans and advances	84,582,082	General provision	1%	845,821	845,821	-	-
Grand Total	84,582,082			845,821	845,821	-	-

COMPUTATION OF OTHER RATIOSAS AT 31 DECEMBER 2012

CAPITAL Equity to total asset (A/B) A- Equity B- Total assets	(Amounts in US\$) 18.85% 31,209,692 165,586,358	16 Classified asset to total equity (A/B) A- Classified assets B- Equity	0% - 31,209,692	31 Provision to total assets (A/B) A- Provision B- Total assets	0.51% 845,821 165,586,358
2 Capital Tier I to total asset (A/B) A- Capital Tier I B- Total assets	18.20% 30,144,144 165,586,358	17 Loan to related parties to total loan (A/B) A- Loan to related parties B- Total loans (gross)	0% - 84,582,082	32 Overhead (OHEAD) = (A/B) A- Non-interest expenses B- Total assets	3.65% 6,043,993 165,586,358
3 Capital Tier I to risk weighted asset (A/B) A- Capital Tier I B- Risk Weighted Assets	26.74% 30,144,144 112,729,212	18 Large exposure to total loan (A/B) A- Large exposure B- Total loans (gross)	11.83% 10,003,255 84,582,082	33 Net income/(losses) before tax (NIBT) = (A/B) A- Net income/(losses) before tax B- Total assets	(1.21%) (2,002,789) 165,586,358
4 Capital Tier I + Tier 2 to risk weighted asset (A/B) A- Capital Tier I + Tier 2 B- Risk Weighted Assets	27.49% 30,989,965 112,729,212	19 Loan to related parties to net worth (A/B) A- Loan to related parties B- Net worth	0% - 30,989,965	34 Tax to total assets (A/B) A- Tax B- Total assets	0.04% 63,010 165,586,358
5 Net Worth to total assets (A/B) A- Net worth B- Total assets	18.72% 30,989,965 165,586,358	20 Large exposure to net worth (A/B) A- Large exposure B- Net worth	32.28% 10,003,255 30,989,965	35 Interest margin to gross income ((A-B)/C) A- Interest income B- Interest expense C- Gross income	58.94% 5,398,901 1,741,753 6,204,978
6 Solvency Ratio (A/B) A- Net worth B- Risk Weighted Assets	27.49% 30,989,965 112,729,212	21 General provision to total loan (A/B) A- General provision B- Total loans (gross)	1% 845,821 84,582,082	36 Non-interest income o gross income (A/B) A- Non-interest income B- Gross income	12.99% 806,077 6,204,978
7 Debt to total asset (A/B) A- Total liabilities B- Total assets	81.15% 134,376,666 165,586,358	22 Specific provision to total loan (A/B) A- Specific provision B- Total loans (gross)	0% - 84,582,082	37 Non-interest expense to Gross Income (A/B) A- Non-interest expense B- Gross income	97.41% 6,043,993 6,204,978
8 Debt to equity (A/B) A- Total liabilities B- Equity	430.56% 134,376,666 31,209,692	24 All allowances to total assets (A/B) A- Total all allowances B- Total assets	0.51% 845,821 165,586,358	38 Time interest earned ((A+B)/C) A- Income/(losses) before tax B- Interest expense C- Interest expense	(0.15) (2,002,789) 1,741,753 1,741,753
9 Dividend to net profit (A/B) A- Dividend B- Net profit	0% - -	25 Loans to deposits (A/B) A- Total loans to non-bank customers (gross) B- Customer's deposits	85.99% 84,582,082 98,363,230	LIQUIDITY 39 Liquid asset (A/B) A- Liquid asset (less than 3 months) B- Total assets	35.35% 58,533,718 165,586,358
ASSET QUALITY 10 Banking reserve to total loans (A/B) A- Banking reserves B- Total loans (gross)	0% - 84,582,082	EARNINGS 26 ROA (A/B) A- Net profit B- Total assets	(1.25%) (2,065,799) 165,586,358	40 Short-term Liabilities (A/B) A- Short-term liabilities (less than one year) B- Total assets	81.15% 134,376,666 165,586,358
11 Banking reserve to total assets (A/B) A- Banking reserves B- Total assets	0% - 165,586,358	27 ROE (A/B) A- Net profit B- Equity	(6.62%) (2,065,799) 31,209,692	41 Net Liquid asset ((A-B)/C) A- Liquid asset (less than 3 months) B- Short-term liabilities C- Total liabilities	(56.44%) 58,533,718 134,376,666 134,376,666
12 NPL to total loan (A/B) A- NPL B- Total loans (gross)	0% - 84,582,082	28 Gross Yield (A/B) A- Interest income B- Total assets	3.26% 5,398,901 165,586,358	42 Quick Ratio (A/B) A- Quick assets B- Current liabilities	43.56% 58,533,718 134,376,666
13 NPL to total asset (A/B) A- NPL B- Total assets	0% - 165,586,358	29 Net Interest margin (NIM) to total asset ((A-B)/C) A- Classified income B- Interest expense C- Total assets	2.21% 5,398,901 1,741,753 165,586,358	43 Deposit to total loans (A/B) A- Total customers' deposits B- Total loans to non-bank customers (gross)	116.29% 98,363,230 84,582,082
14 Classified asset to total loan (A/B) A- Classified assets B- Total loans (gross)	0% - 84,582,082	30 Other Income (OTNC) = (A/B) A- Other income B- Total assets	0.49% 806,077 165,586,358		

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