



 PHNOM PENH COMMERCIAL BANK



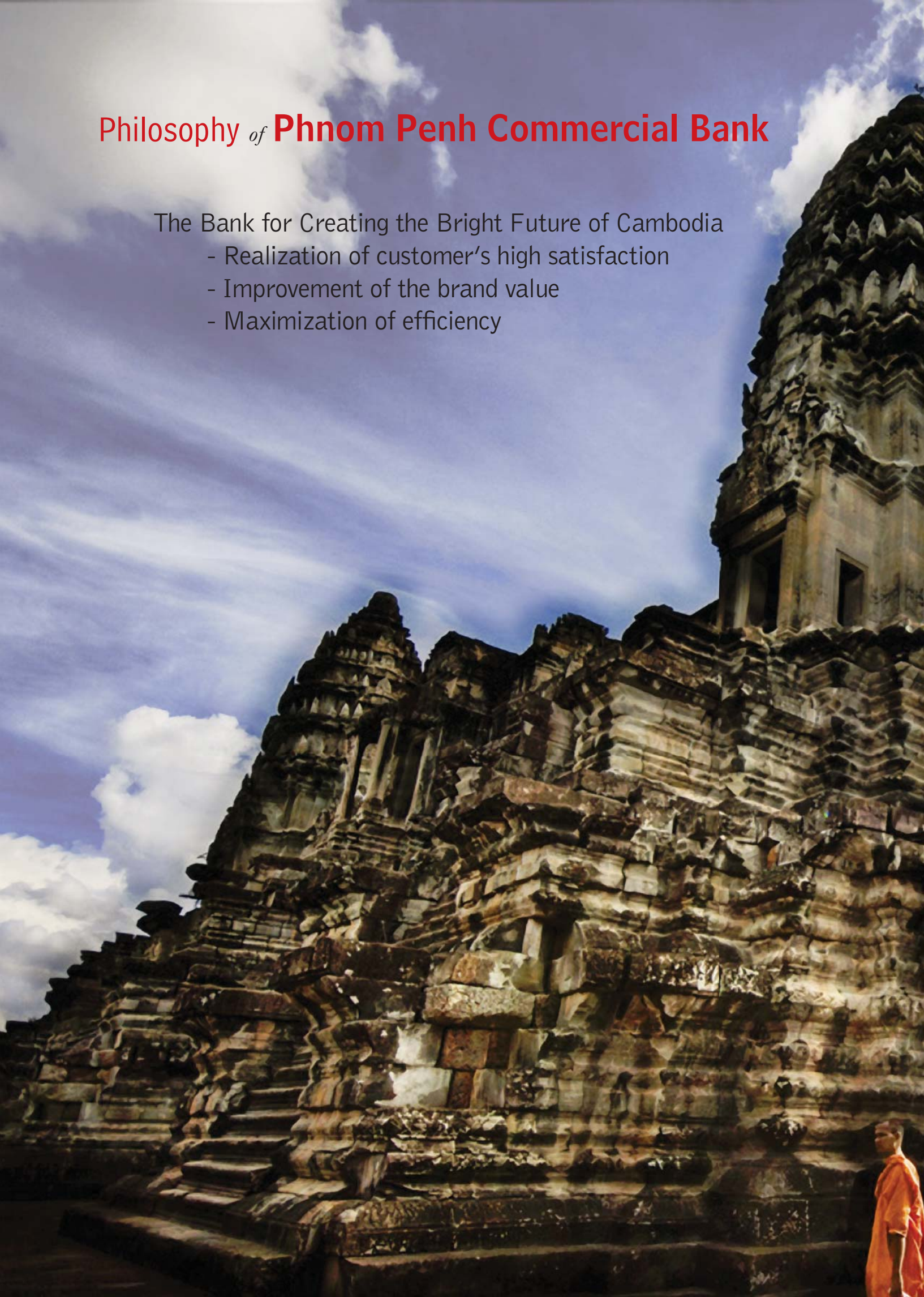
Annual Report  
2008



# Philosophy *of* **Phnom Penh Commercial Bank**

The Bank for Creating the Bright Future of Cambodia

- Realization of customer's high satisfaction
- Improvement of the brand value
- Maximization of efficiency





## Vision & Core Goals

The Bank that creates the bright future of Cambodia through advanced finance and reliability

### Core Goals

1. To become one of the top five best banks in Cambodia
2. To become a core ASEAN bank by expanding its IB operations

## Strategies

To establish a  
general financial  
system



To expand itself



To expand its  
investment  
banking  
operation



To promote  
investments in  
securities









**PHNOM PENH COMMERCIAL BANK**

*The Bank for creating the Bright Future of Cambodia*

**PPCB**

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Khmer



Traditional Culture



**Feeling the Value of Cambodia,  
a City of Civilization**

## Angkor Civilization



One generation transmits its civilization to future generations

Cambodia is a land filled with the beautiful smiles of its innocent people and traces of the great Angkor civilization, which dates back thousands of years, as well as the land of the great Tonle Sap Lake and the Mekong River. The image of Cambodia has been regenerated, dispelling memories of the Khmer Rouge to focus on the great cultural assets of Angkor Watt. Cambodia, a key travel destination for tourists from all over the world as well as Asia, has attracted considerable attention with its increasing numbers of tourists and heavy investment in its civil infrastructure. Feel the new wave of the newly re-generated Cambodia.



The value of a city Growth  
potential determines



Money Science



**View the Potential of Cambodia,  
the model of Phnom Penh city**





Investment

Economic Potential

Cambodia has become the core of Southeast Asia with its high quality human and material resources. It has earned a seat in the World Trade Organization (WTO) and has switched to an open economy, bringing more demands for development. And so, Cambodia is expected to attract vast investment from domestic and international companies. The current asset of banking industry in Cambodia is estimated at about KRW 1.8 trillion, and its largest bank is only about the size of a small branch of a bank in developed countries. However, Cambodia, with an annual average economic growth of 10%, is expected to have a future growth potential equal to that of China thanks to its proactive economic development.







Message from the  
President & Chief Executive Officer

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### To be the Bank for creating the Bright Future of Cambodia

I would like to express our utmost appreciation to our valuable clients, the board of directors and shareholders and also for the support from the National Bank of Cambodia in establishing the Bank as part of the Cambodian banking industry, all of which are very much appreciated.

The economic growth of Cambodia has been quite extraordinary over the past several years and there has been an average growth of 10% every year since 2005. The year 2008 to 2009 has been a challenging time for all banks and Cambodian citizens alike, due to the global financial crisis. Despite this, the Bank has endeavored to ensure the realization of clients' demands for the highest of standards and maximum efficiency in banking operations over the past year.

Our performance during 2008 meant that we recorded a loss of U\$516,934, due in the main to the booking of pre-operating expenses required in becoming a newly established Bank on 1st September 2008. That said, we fully expect net profits from business transacted in the first half of 2009 and we strongly believe that we will achieve remarkable performance and results during 2009.

It is a fact that the Cambodia banking industry will be more competitive in future as more foreign banks are entering the market to do business in Cambodia. Be assured that the Bank will strive to expand our client base and build up sound loan portfolios in this competitive market in order to strengthen our business activities and secure the Bank's growth in the years ahead.

To conclude, it is clear to me that this year marks the beginning of a new era in the history of the Bank. We fully intend to contribute further to promotion of the economic growth of Cambodia as we did in the preceding year. Our staff and management will also continue to live up to our motto "Creating a bright future for Cambodia" and in doing so, the Bank will further prove its' trustworthiness to our clients through our reliability and our advanced banking services.

A stylized handwritten signature in black ink, which appears to read 'Kim Yang Jin'.

Kim Yang Jin

President & Chief Executive Officer



## PPCB Information

The Hyundai Swiss Savings Bank, Industry's No. 1 savings bank, which induced investment from SoftBank Corporation of Japan, the world's most highly renowned investment group, has joined with SBI Korea Holdings to found a bank in Cambodia that leverages advanced financial techniques with a view to establishing itself as the premier foreign bank in Cambodia. Cambodia is a land of opportunity with an average annual economic growth rate 10%, following to the wake of China and Vietnam. Phnom Penh Commercial Bank of Cambodia is set to position itself as a partner for co-prosperity with Cambodia.

### Information

Date of Establishment	September 2008
Capital	USD 15,000,000
Shareholders	SBI Holdings Inc., Japan <b>40%</b> Hyundai Swiss Savings Bank <b>9.9%</b> Hyundai Swiss Savings II Bank <b>9.9%</b> Kyong Ki Growth & Development <b>9.9%</b> Hidy Investment Co., Ltd <b>9.9%</b> Mirae Credit Information Service Corp <b>3%</b> Mr. Kim Kwang Jin <b>9.9%</b> Mr. Kim Jong Min <b>7.5%</b>
Number of Staffs	24 as of 31 December 2008
CEO & President	Kim Yang Jin
Main Office	#767-769, Monivong Blvd., Beoung Trabek Quarter, Chamkarmorn District, Phnom Penh, Cambodia



## Business Area

### Deposit

- Current account
- Savings account
- Fixed deposit
- Installment deposit

### Loan

- Personal
- Corporate
- Mortgage

### Fee Based Business

- Overseas Remittance
- L/C Issuing
- Consulting (Real Estate, IPO)
- Bond Issuing

### IB

- Project Financing
- Loan+Profit sharing
- Direct Investment

### Corporate Banking

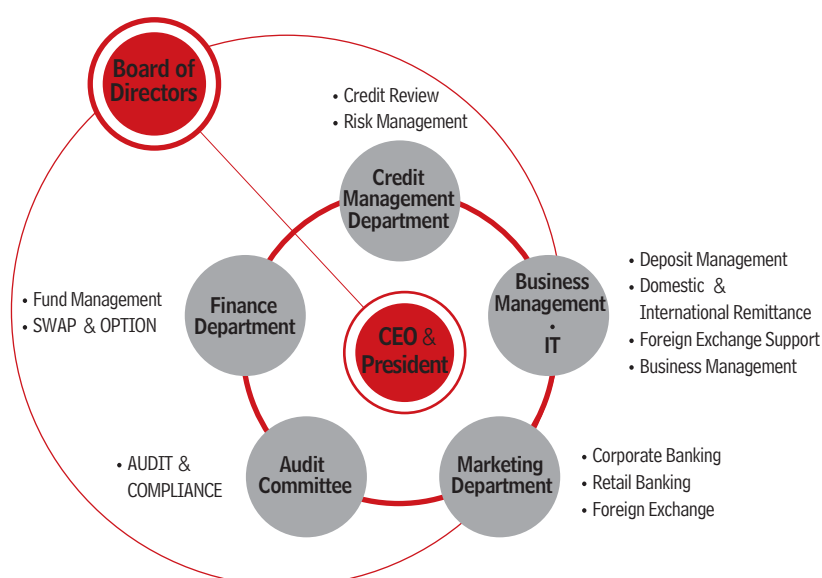
- Syndicated Loans
- Underwriting of Debenture in association with Security Company



## PPCB Man Power

PPCB Man Power The best professionals, proven by their management experience and excellent financial achievements in the financial system, where one cannot let down one's attentive at any time... Phnom Penh Commercial Bank, which has become the headquarters of the financial district on the strength of its Global Money Science strategy and its policy of ethical management, will establish a Renaissance in Cambodia's advanced financial field.

## Organization



## Board of Directors



**Kim Yang Jin**, CEO

### Education

- Master of Real Estate Science  
KonKuk University, Seoul, Korea

### Work Experience

- **Kookmin Bank**
  - Researcher of NY branch
  - GM of Credit Analysis Department
  - Head of Corporate Banking Division
- **KB Real Estate Trust Company**
  - Deputy CEO



**Lee Yong Man**, Deputy CEO

### Education

- Master of Economics  
Yonsei University, Seoul, Korea

### Work Experience

- Manager, Banque Paribas, Seoul, Korea
- Chief Representative  
Arab Bank Plc, Hong Kong



**Yoshihimi Takahashi**, Director

### Education

- BA of Commercial Law  
Waseda University, Japan

### Work Experience

- CEO, SBI Korea Holdings Co., Ltd



## HSB Introduction

Hyundai Swiss Savings Bank (HSB), with its unique annual growth rate, has grown to become a leading financial institute because of its differentiated scientific investment system, which is practiced based on concrete investment data and carefully conceived strategies. HSB demonstrates initiatives by predicting and preparing for change, and corresponding actively to the rapidly changing financial environment. It has grown into a general financial group with high profits generated from differentiated financial products.

### Information

Date of Establishment	October 1971
Shareholders	Kwang-Jin Kim 55%   Kwang-Jae Lee 24%   SBI Korea Holdings 10%   Hidy Investment Co., Ltd. 6%, Others 5%
Number of Staffs	700
CEO & President	Yoo Moon-Chul
Main Office	78-6 Cheongdam-dong, Gangnam-gu, Seoul

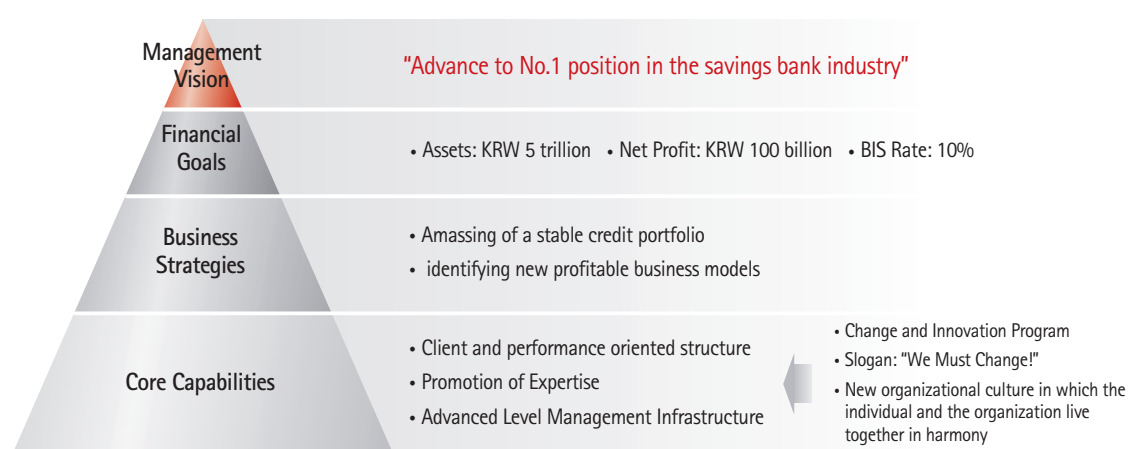




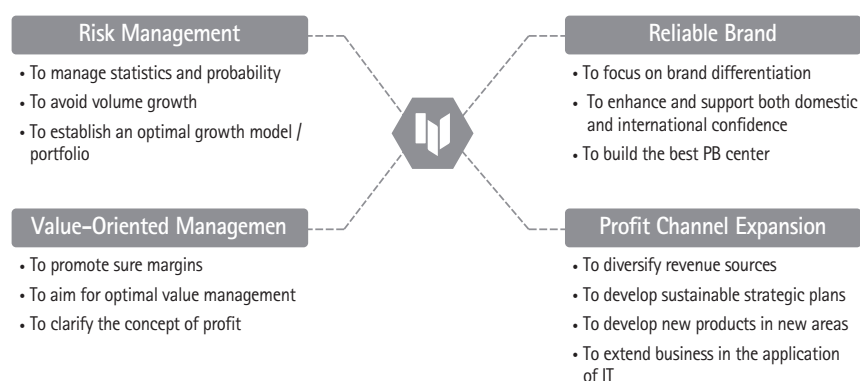
## HSB Vision

Hyundai Swiss Savings Bank is the first savings bank in Korea to induce investment HSB VISION from Mercer International of Switzerland, listed in the NASDAQ of the U.S. and EASDAQ of Europe, and SoftBank of Japan, one of the world's most highly renowned investment companies. Hyundai Swiss Savings Bank predicts changes prior to the competition based on precise data and possibilities. Furthermore, its scientific banking system has led Hyundai Swiss Savings Bank to become the No.1 savings bank, leading the new financial environment.

### Vision



### Management Goals and Strategy







**Innovator of Strategic Businesses Jumping Over the Core of Financing - SBI Holdings**

SBI



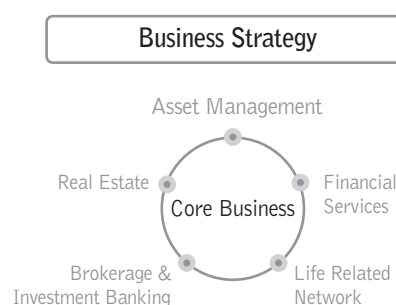
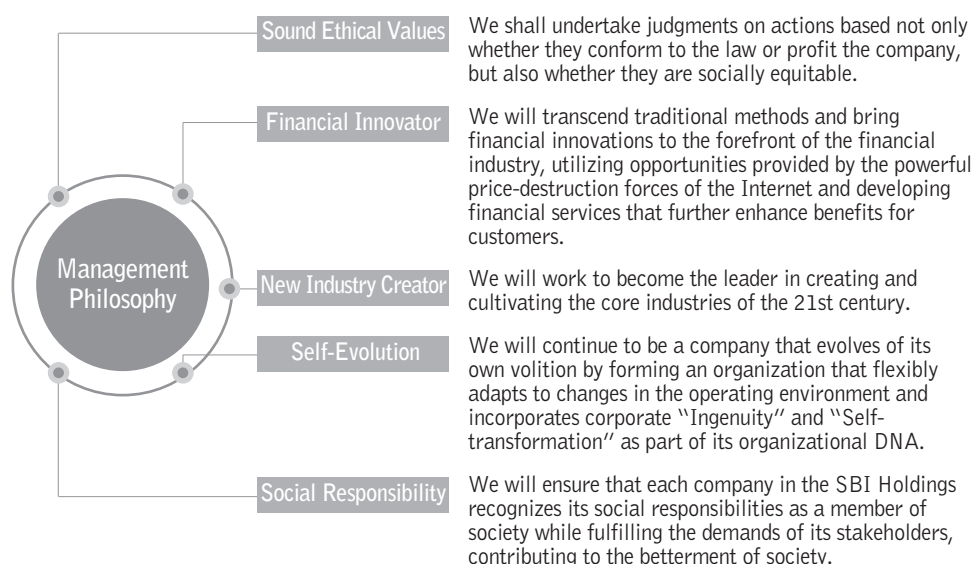
## SBI Holdings Introduction

An Internet revolution has been triggered by the financial Big Bang resulting from the relaxation of regulations and rapid IT (Information Technology) innovation. The SBI Holdings is a financial business which aims to provide a One-Stop, One-Table, One-to-One service encompassing all financial services through the Internet.

### Information

Date of Establishment	July 8, 1999
Paid -in capital	USD 550,477,000
Number of Staffs	2,666 (Consolidated)   206 (Non-Consolidated)
CEO	Yoshitaka Kitao
Main Office	1-6-1, Roppongi, Minato-ku, Tokyo, Japan

### SBI Holdings Vision



### The SBI Holdings' Corporate Vision (Formulated in April 2008)

1. Increase operating income to JPY 100billion in five years (year ending March 2013)
2. Expand Asset Management and Brokerage & Investment Banking to 2/3 of operating income by March 2013, with all other businesses accounting for the remaining 1/3
3. Transform the SBI Holdings into a global organization that earns half its operating income outside Japan by year ending March 2013





# **Financial Statements & Auditors' Report**

for the period from 4 June 2008 (date of incorporation) to 31 December 2008

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# Report of the Directors

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The Directors have the pleasure of submitting their report together with the audited financial statements of Phnom Penh Commercial Bank ("the Bank") for the period from 4 June 2008 to 31 December 2008.

## Principle of activities

The Bank is principally engaged in all aspects of banking business and the provision of related financial services. The Bank commenced these activities in the current period.

## Financial results

The financial results of the Bank for the period from 4 June 2008 to 31 December 2008 were as follows:

	US\$
Loss before income tax	(515,209)
Income tax	(1,725)
Loss for the period	(516,934)

## Dividends

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

## Share capital

The share capital of the Bank as at 31 December 2008 was registered and issued in the period under review.

## Reverses and provisions

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



# Report of the Directors (continued)

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## Bad and doubtful loans and advances

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for doubtful loans and advances in the financial statements of the Bank, inadequate to any substantial extent.

## Current assets

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

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

## Valuation methods

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

## Contingent and other liabilities

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

- (a) Any charge on the assets of the Bank which has arisen since the end of the financial period which secures the liabilities of any other person, or

# Report of the Directors (continued)

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- (b) Any contingent liability in respect of the Bank that has arisen since the end of the financial period other than in the ordinary course of banking business.

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

## Change of circumstances

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

## Items of unusual nature

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

There has not arisen in the interval between the end of the financial 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 affect substantially the results of the operations of the Bank for the current financial period in which this report is made.

## Directors of the Bank

The Directors who served since the date of incorporation of the Bank are:

Mr. Kim Yang Jin (appointed on 3 February 2009)

Mr. Leem Chae-il (resigned on 3 February 2009)

Mr. Yoshimi Takahashi

Mr. Lee Yong Man



# Report of the Directors (continued)

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## Directors' interests

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

## Directors' benefits

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

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

## Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2008 and of the results of its operations and its cash flows for the period from 4 June 2008 to 31 December 2008. In preparing these financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

## Report of the Directors (continued)

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- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- iv) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms they have complied with the above requirements in preparing the financial statements.

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

30 March 2009



**Kim Vang Jin**  
President & Chief Executive Officer



**Lee Yong Man**  
Deputy Chief Executive Officer



## Report of the Independent Auditors

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To the shareholders;

### Phnom Penh Commercial Bank

We have audited the accompanying financial statements of Phnom Penh Commercial Bank ("the Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and statement of cash flows for the period from 4 June 2008 to 31 December 2008, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 39.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

Report of the

# Independent Auditors (continued)

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Phnom Penh Commercial Bank as at 31 December 2008 and of its financial performance and its cash flows for the period from 4 June 2008 to 31 December 2008, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

The accompanying financial statements of the Bank as at 31 December 2008 and for the period from 4 June 2008 to 31 December 2008 have been translated into Khmer Riel solely for compliance with the guidelines issued by the National Bank of Cambodia regarding the preparation and presentation of financial statements. We have audited the translation and, in our opinion, the financial statements expressed in United States Dollars have been translated into Khmer Riel on the basis as set forth in Note 4 to the financial statements.

For KPMG Cambodia Ltd

**Craig McDonald**  
Audit Partner



Phnom Penh  
30 March 2009



# Balance sheet

As at December 31, 2008

		31 December 2008	
	Note	US\$	KHR `000
<b>Assets</b>			
Cash and bank balances	5	2,923,935	11,932,579
Deposits and placements with banks	6	7,605,430	31,037,760
Loans and advances -net	7	5,288,399	21,581,956
Other assets	8	154,170	629,168
Statutory deposits	9	1,980,000	8,080,380
Intangible assets	10	436,908	1,783,021
Property and equipment	11	821,046	3,350,688
<b>Total Assets</b>		<b>19,209,888</b>	<b>78,395,552</b>
<b>Liabilities and shareholder's funds</b>			
Deposits from customers	12	700,237	2,857,667
Deposits by banks	13	3,995,565	16,305,901
Other liabilities	14	30,104	122,854
Provision for income tax	20	916	3,738
<b>Total Liabilities</b>		<b>4,726,822</b>	<b>19,290,160</b>
<b>Shareholders' funds</b>			
Share capital	15	15,000,000	61,215,000
Accumulated loss		(516,934)	(2,109,608)
		14,483,066	59,105,392
<b>Total shareholders' funds</b>		<b>19,209,888</b>	<b>78,395,552</b>

# Income statement

for the period from 4 June 2008 - 31 December 2008

	Note	Period from 4 June 2008 to 31 December 2008	
		US\$	KHR '000
Interest income	16	190,374	776,916
Interest expense	17	(12,887)	(52,592)
<b>Net interest income</b>		<b>177,487</b>	<b>724,324</b>
Fee and commission income	18	34,261	139,819
General and administrative expenses	19	(673,539)	(2,748,712)
Provision for doubtful loans and advances	7	(53,418)	(217,999)
<b>Loss before income tax</b>		<b>(515,209)</b>	<b>(2,102,568)</b>
Income tax expense	20	(1,725)	(7,040)
<b>Net loss for the period</b>		<b>(516,934)</b>	<b>(2,109,608)</b>



# Statement of changes in equity

for the period from 4 June 2008 - 31 December 2008

	Share Capital US\$	Accumulated loss US\$	Total US\$
Share capital issued	15,000,000	-	15,000,000
Net loss for the period	-	(516,934)	(516,934)
<b>Balance as at 31 December 2008</b>	<b>15,000,000</b>	<b>(516,934)</b>	<b>14,483,066</b>
(KHR '000 equivalents)	61,215,00	(2,109,608)	59,105,392

# Statement of cash flows

for the period from 4 June 2008 - 31 December 2008

		Period from 4 June 2008 to 31 December 2008	
	Note	US\$	KHR '000
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	21	(6,700,582)	(27,345,075)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(914,233)	(3,730,985)
Purchase of intangible assets		(461,250)	(1,882,361)
Net cash used in investing activities		(1,375,483)	(5,613,346)
<b>Cash flows from financing activities</b>			
Share capital issued		15,000,000	61,215,000
Net cash used in investing activities		15,000,000	61,215,000
<b>Cash and cash equivalents at end of period</b>	22	<b>6,923,935</b>	<b>28,256,579</b>



# Notes to the financial statements

for the period from 4 June 2008 - 31 December 2008

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## 1. Organisation and principal activities

Phnom Penh Commercial Bank ("the Bank") was registered with the Ministry of Commerce as a public limited liability company under registration number Co-4898/08E on 4 June 2008 and obtained a licence from the National Bank of Cambodia to operate as a commercial bank with effect from 27 August 2008. The Bank officially commenced its operations on 1 September 2008.

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

The Bank had 23 employees as at 31 December 2008.

## 2. Basis of preparation

### (a) Statement of compliance

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

The financial statements of the Bank were authorised for issued by the Board of Directors on 30 March 2009.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

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

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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## (d) Use of estimates and judgements

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

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

## 3. Significant accounting policies

The following significant accounting policies have been adopted by the Bank in the preparation of these financial -statements.

### (a) Financial instruments

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

### (b) Segment information

The Bank operates within one business segment, commercial banking and within one geographical segment, the Kingdom of Cambodia.

### (c) Cash and cash equivalents

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

### (d) Loans and advances

All loans and advances to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances. Short-term loans are those with a repayment date within one year of the date the loan was advanced. Long-term loans are those with a final repayment date of more than one year of the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans and advances previously written off or provided for decrease the amount of the allowance for bad and doubtful loans and advances in the income statement.



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## (e) Allowance for bad and doubtful loans and advances

Allowances for bad and doubtful loans and advances are made with regard to specific risks and relate to those loans and advances that have been individually reviewed and specifically identified as sub-standard, doubtful or bad. In addition to the specific allowance, an additional general allowance for bad and doubtful loans and advances is made at the rate of 1% of total loans and advances outstanding, net of the specific allowance.

In compliance with NBC Guidelines, a specific allowance for doubtful loans and advances is made for loans that are identified as non-performing as follows:

Classification	Number of days past due	Provision
Substandard	> 90 days - 180 days	10%
Doubtful	> 180 days - 360 days	30%
Loss	More than 360 days	100%

In determining the above allowance, the value of any collateral other than cash deposits pledged is disregarded. In the case of a loan classified as loss, the market values of collateral can be used to reduce the amount of the allowance, subject to approval by the NBC on a case-by-case basis.

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

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

## (f) Deposits and placements with banks

Deposits and placements with banks are carried at cost.

## (g) Other receivables

Other receivables are carried at estimated realisable value.

## (h) Intangible assets

Intangible assets, comprising computer (Moneta) software and swift software, are stated at cost less accumulated amortization and impairment losses, if any.

Amortization is recognized in the income statement on a straight-line method basis over the useful lives of 3 to 10 years and 2 years respectively.

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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## (i) Property and equipment

- i. Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.
- ii. 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 rates:
 

- Leasehold improvements	20%
- Furniture, fittings and equipment	25%
- Computer equipment	50%
- Motor vehicles	25%
- iii. Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.
- iv. Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized in the income statement on the date of retirement or disposal.
- v. Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.
- vi. The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognized in prior years is recorded where there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recognized to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in the income statement immediately.

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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(j) Deposits from customers and banks

Deposits from customers and banks are stated at placement value.

(k) Other liabilities

Other liabilities are stated at their cost.

(l) Provisions

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

(m) Income recognition

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

Income from the various activities of the Bank is accrued using the following basis:

- i. Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transaction;
- ii. Commitment fees and guarantee fees on a variety of services and facilities extended to customers are recognized as income over the period in which the service and facilities are extended;
- iii. Service charges and processing fees are recognized when the service is provided.

(n) Interest expense

Interest expense on deposits is recognized on an accruals basis.

(o) Operating leases

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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## (p) Income tax

- i. Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.
- ii. Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.
- iii. (ii) Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.
- iv. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## (q) Related parties

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

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

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ to KHR 4,081 published by the NBC on 31 December 2008. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

## 5. Cash and bank balances

	31 December 2008	
	US\$	KHR '000
Cash on hand	271,223	1,106,861

### Bank balances in Cambodia

National Bank of Cambodia	2,602,515	10,620,864
Canada Bank Plc.,	500	2,041

### Bank balances outside Cambodia

Korea Exchange Bank	49,697	202,813
	<u>2,923,935</u>	<u>11,932,579</u>

	31 December 2008	
	US\$	KHR '000
<b>By currency</b>		
US\$	2,923,479	11,930,718
Khmer Riel	456	1,861
	<u>2,923,935</u>	<u>11,932,579</u>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 6. Deposits and placements with banks

	31 December 2008	
	US\$	KHR '000
<b>In Cambodia:</b>		
Aceda Bank Plc.	2,000,000	8,162,000
Cambodian Public Bank Limited	1,000,000	4,081,000
Canadia Bank Plc.	4,134,625	16,873,405
Camko Bank Limited	470,805	1,921,355
	<u>7,605,430</u>	<u>31,037,760</u>

The deposits and placements with banks are analyzed as follows;

	31 December 2008	
	US\$	KHR '000
a) By maturity:		
Within one month	3,000,000	12,243,000
Between 2 to 3 months	1,000,000	4,081,000
Between 4 to 5 months	3,605,430	14,713,760
	<u>7,605,430</u>	<u>31,037,760</u>
b) By currency:		
US dollar	<u>7,605,430</u>	<u>31,037,760</u>
c) By interest rate (per annum):		
Aceda Bank Plc.		2.50% - 5.00%
Cambodian Public Bank Limited		5.25%
Canadia Bank Plc.		1.63% - 5.50%
Camko Bank Limited		1.00%



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 7. Loans and advances - net

	31 December 2008	
	US\$	KHR '000
Overdrafts	194,174	794,628
Loans	5,147,103	21,005,327
	<u>5,341,817</u>	<u>21,799,955</u>
Allowance for bad and doubtful loans and advances - General	(53,418)	(217,999)
	<u>5,288,399</u>	<u>21,581,956</u>

As at 31 December 2008, the Bank did not have any specific provision for bad and doubtful loans and advances.

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

The above amounts are analyzed as follows:

	31 December 2008	
	US\$	KHR '000
a) By maturity:		
Within one month	194,714	794,628
Between 4 to 6 months	1,930,286	7,877,497
Between 7 to 12 months	1,614,714	6,589,648
Between 1 to 3 years	1,602,103	6,538,182
	<u>5,341,817</u>	<u>21,799,955</u>
b) By performance:		
Standard Loans		
Secured	3,341,817	13,637,955
Unsecured	2,000,000	8,162,000
	<u>5,341,817</u>	<u>21,799,955</u>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

		31 December 2008	
		US\$	KHR `000
c)	By economic sectors:		
	Commercial loans		
	Call loan	2,000,000	8,162,000
	Long term loans	1,602,102	6,538,178
	Short term loans	1,496,390	6,106,767
	Overdraft	194,714	794,628
	Consumer loan		
	Housing loan	48,611	198,382
		<u>5,341,817</u>	<u>21,799,955</u>
d)	By industry:		
	Financial institution	2,000,000	8,162,000
	Manufacturing	1,910,000	7,794,710
	Services	560,000	2,285,360
	Import	594,714	2,427,028
	Wholesale and retail	133,492	544,781
	Agriculture	95,000	387,695
	Housing loan	48,611	198,382
		<u>5,341,817</u>	<u>21,799,955</u>
e)	By currency:		
	US Dollar	<u>5,341,817</u>	<u>21,799,955</u>
f)	By residency status:		
	Residents	<u>5,341,817</u>	<u>21,799,955</u>
g)	By relationship:		
	Non related parties	<u>5,341,817</u>	<u>21,799,955</u>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

	31 December 2008	
	US\$	KHR `000
h) By type of customer:		
Corporate	3,450,000	14,079,450
Individuals	1,891,817	7,720,505
	<u>5,341,817</u>	<u>21,799,955</u>
i) By exposure:		
Large exposures	2,000,000	8,162,000
Non large exposure	3,341,817	13,637,955
	<u>5,341,817</u>	<u>21,799,955</u>

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

j) By interest rate (per annum):	31 December 2008
Overdraft	12.00%
Loans	12.00 % - 18.00%
Call loan	8.00%



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 8. Other assets

	31 December 2008	
	US\$	KHR '000
Interest receivable from loan and advance	20,558	83,897
Interest receivable from deposits and placements with banks	27,114	110,652
Prepayment on rental	84,000	342,804
Prepayment on billboard & advertising	20,833	85,020
Others	1,665	6,795
	<b>154,170</b>	<b>629,168</b>

## 9. Statutory deposits

	31 December 2008	
	US\$	KHR '000
Statutory deposits on:		
Minimum share capital	1,500,000	6,121,500
Customers' deposits	480,000	1,958,880
	<b>1,980,000</b>	<b>8,080,380</b>

The statutory deposits are maintained with the NBC in compliance with Article 5 of NBC Prakas No. B7-01-136, the amounts of which are determined by defined percentages of the Bank's registered share capital and customers' deposits with the Bank which are 10% and 8% respectively. The above statutory deposits are analyzed as follows:

### i. Statutory deposit on minimum capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on bank's capital guarantee dated 15 October 2001. This capital guarantee which placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at 3/8 SIBOR (six months) at the rate of 1.17% per annum.

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## ii. Statutory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits.

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

Subsequently, on 26 January 2009 the National Bank of Cambodia issued a new Prakas No. B7-009-020. This Prakas changed the requirement of the statutory deposit on customers' deposits other than KHR from 16% to 12%. The 4% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 SIBOR (one month) while the remaining 8% of the statutory deposit on customers' deposits in KHR bears no interest.

## 10. Intangible assets

	Computer (Moneta) software US\$	Swift software US\$	Total US\$	Total KHR '000
<b>Cost</b>				
Additions and balance as at 31 December 2008	427,375	33,875	461,250	1,882,361
<b>Less: Accumulated amortization</b>				
Charge for the period & balance as at 31 December 2008	19,680	4,662	24,342	99,340
<b>Net book value</b>				
As at 31 December 2008	407,695	29,213	436,908	1,783,021

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 11. Property and equipment

	Leasehold Improvement US\$	Furniture, fitting and equipment US\$	Computer equipment US\$	Motor Vehicles US\$	Total	
	US\$				US\$	KHR '000
<b>Cost</b>						
Additions and balance as at 31 December 2008	<u>388,939</u>	<u>211,053</u>	<u>239,822</u>	<u>74,419</u>	<u>914,233</u>	<u>3,730,985</u>
<b>Less: Accumulated depreciation</b>						
Charge for the period & balance as at 31 December 2008	<u>24,466</u>	<u>16,440</u>	<u>39,877</u>	<u>12,404</u>	<u>93,187</u>	<u>380,297</u>
<b>Net book value</b>						
As at 31 December 2008	<u>364,473</u>	<u>194,613</u>	<u>199,945</u>	<u>62,015</u>	<u>821,046</u>	<u>3,350,688</u>



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 12. Deposits from customers

	Number of Depositors	31 December 2008	
		US\$	KHR '000
Current accounts	18	298,789	1,219,358
Savings deposits	151	127,968	522,237
Fixed deposits	11	272,500	1,112,073
Installment deposits	7	980	3,999
	<u>187</u>	<u>700,237</u>	<u>2,857,667</u>

The Bank's deposits from customers are analyzed as follows:

	31 December 2008	
	US\$	KHR '000
a) By maturity:		
Within 3 months	5,000	20,405
Between 4 to 6 months	14,000	57,134
Between 7 to 12 months	681,237	2,780,128
	<u>700,237</u>	<u>2,857,667</u>
b) By types of customers:		
Domestic corporations	477,578	1,948,995
Individuals	221,637	904,501
Non-residents	1,022	4,171
	<u>700,237</u>	<u>2,857,667</u>
c) By currency:		
US Dollar	<u>700,237</u>	<u>2,857,667</u>
d) By interest rate (per annum):	2008	
Savings accounts	1.20%	
Fixed deposits	3.00% - 6.75%	

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 13. Deposits by banks

Deposits by other banks represent vostro accounts within Cambodia.

	31 December 2008	
	US\$	KHR '000
Savings account:		
Camko Bank Limited	1,995,565	8,143,901
Fixed deposit:		
Khmer Union Bank	2,000,000	8,162,000
	<u>3,995,565</u>	<u>16,305,901</u>

## 14. Other liabilities

	31 December 2008	
	US\$	KHR '000
Interest payable	3,610	14,732
Accounts payable	26,494	108,122
	<u>30,104</u>	<u>122,854</u>

## 15. Share capital

	31 December 2008	
	US\$	KHR '000
Shares of US\$1,000 each		
Registered, issued and fully paid up 15,000 shares of US\$1,000 each	<u>15,000,000</u>	<u>61,215,000</u>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 16. Interest income

	Period from 4 June 2008 to 31 December 2008	
	US\$	KHR '000
Loans and advances	81,078	330,879
Deposits and placements with		
National Bank of Cambodia	7,376	30,101
Banks in Cambodia	101,920	415,936
	<u>190,374</u>	<u>776,916</u>

## 17. Interest expense

	Period from 4 June 2008 to 31 December 2008	
	US\$	KHR '000
Savings deposits	9,565	39,035
Fixed and margin deposits	3,319	13,545
Installment deposits	3	12
	<u>12,887</u>	<u>52,592</u>

## 18. Fee and commission income

	Period from 4 June 2008 to 31 December 2008	
	US\$	KHR '000
<b>Fee and commission income:</b>		
Processing fees	33,650	137,325
Commitment fees	22	90
Others	589	2,404
	<u>34,261</u>	<u>139,819</u>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 19. General and administrative expense

	Period from 4 June 2008 to 31 December 2008	
	US\$	KHR '000
Personnel and related costs	207,883	848,370
Depreciation	93,187	380,297
Amortization	24,342	99,340
Rental expenses	69,653	284,254
Marketing and advertising	8,322	33,962
Processing fee	19,600	79,988
Processing fee	75,000	306,075
Repairs and maintenance	16,890	68,928
Utility expenses	14,223	58,044
Conventions and conference expenses	35,351	144,267
Entertainment	6,874	28,053
Bank license fees	9,394	38,337
Other tax expense	10,538	43,006
Telephone and communication	16,012	65,345
Building security expenses	10,840	44,238
Insurance expenses	991	4,044
Office supplies expense	15,971	65,177
Bank charges	15,893	64,859
Others	22,575	92,128
	<u>673,539</u>	<u>2,748,712</u>



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 20. Income tax

### a) Provision for taxation:

	31 December 2008	
	US\$	KHR '000
Balance at beginning of period	-	-
Income tax expense	1,725	7,040
Income tax paid	(809)	(3,302)
Balance at end of period	<u>916</u>	<u>3,738</u>

### b) Applicable tax rate:

In accordance with Cambodian law, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

The Bank did not earn taxable profits in 2008 and the income tax expense for the period was based on the minimum tax. The reconciliation of income tax computed at the statutory tax rate to the income tax expense in the income statement is as follows:

	Period from 4 June 2008 to 31 December 2008	
	US\$	KHR '000
Interest income	190,374	776,916
Fee and commission income	34,261	139,819
Total income	<u>224,635</u>	<u>916,735</u>
Income tax using the approved tax rate (1%)	2,246	9,166
Others	(521)	(2,126)
Income tax expense	<u>1,725</u>	<u>7,040</u>

The calculation of taxable income is subject to the review and approval of the tax authorities.

### b) Unrecognized deferred tax assets:

A deferred tax asset on tax losses has not been recognized as it is not probable that future taxable profits will be available against which the losses can be utilized.

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 21. Cash flows from operating activities

	Period from 4 June 2008 to 31 December 2008	
	US\$	KHR '000
Loss before income tax	(515,209)	(2,102,568)
<b>Adjustments for:</b>		
Depreciation	93,187	380,297
Amortization	24,342	99,340
Bad and doubtful loans and advances	53,418	217,999
<b>Operating profit before changes in operating assets and liabilities</b>	<b>(344,262)</b>	<b>(1,404,932)</b>
<b>Increase in operating assets:</b>		
Deposits and placement with banks	(3,605,430)	(14,713,760)
Loans and advances	(5,341,817)	(21,799,955)
Other assets	(154,170)	(629,168)
Statutory deposits	(1,980,000)	(8,080,380)
<b>Increase in operating liabilities:</b>		
Deposits from customers	700,237	2,857,667
Deposits by banks	3,995,565	16,305,901
Other liabilities	30,104	122,854
<b>Net cash used in operations</b>	<b>(6,699,773)</b>	<b>(27,341,773)</b>
Income tax paid	(809)	(3,302)
<b>Net cash used in operating activities</b>	<b>(6,700,582)</b>	<b>(27,345,075)</b>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## 22. Cash and cash equivalents

	31 December 2008	
	US\$	KHR '000
Cash and bank balances	2,923,935	11,932,579
Deposit and placements with banks (with maturities of 3 months or less)	4,000,000	16,324,000
	<u>6,923,935</u>	<u>28,256,579</u>

## 23. Commitments

### a) Operations:

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions which consist of: The calculation of taxable income is subject to the review and approval of the tax authorities.

	31 December 2008	
	US\$	KHR '000
Unutilised portion of overdraft	<u>5,286</u>	<u>21,572</u>

### b) Lease commitments:

The Bank has operating lease commitments in respect of the office building expiring on 15 June 2013, as follows:

	2008	
	US\$	KHR '000
Within one year	84,000	342,804
Between 2 to 5 years	336,000	1,371,216
	<u>420,000</u>	<u>1,714,020</u>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

## c) Capital commitments

The Bank has commitments in respect of the office building renovation as follows:

	31 December 2008	
	US\$	KHR '000
Within one year	296,514	1,210,074
Between 2 to 5 years	15,606	63,688
	<u>312,120</u>	<u>1,273,762</u>

## d) Taxation contingencies

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

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

## 24. Corresponding figures

There are no corresponding figures as this is the first set of financial statements prepared since the commencement of the Bank's operations.

## 25. Financial risk management

### a) Operational risk:

The operational risk losses which would result from inadequate or failed internal processes, people and systems is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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

b) Credit risk:

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

The primary exposure to credit risk arises through its loans and advances. There is no available quoted market price in an active market which would enable the fair value of the loans and advances to be reliably measured. Therefore the maximum exposure to credit risk in this regard is represented by the carrying amount of each financial asset in the balance sheet. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

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

c) Market risk:

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

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

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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

As of 31 December 2008, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk we presented.

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

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

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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

31 December 2008	Up to 1 month US\$	> 1 - 3 months US \$	> 3 - 6 months US\$	> 6 - 12 months US\$	> 1 - 5 years US\$	Over 5 year US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>									
Cash and bank balances	-	-	-	-	-	-	2,923,935	2,923,935	
Deposits and placements with banks	3,000,000	1,000,000	3,605,430	-	-	-	-	7,605,430	3.08%
<b>Loans and advances</b>									
- Performing	-	-	2,125,000	1,614,715	1,602,102	-	-	5,341,817	14.50%
- General allowance	-	-	-	-	-	-	(53,418)	(53,418)	
Other assets	-	-	-	-	-	-	154,170	154,170	
Statutory deposits	-	-	-	-	-	1,980,000	-	1,980,000	1.44%
<b>Total financial assets</b>	<b>3,000,000</b>	<b>1,000,000</b>	<b>5,730,430</b>	<b>1,614,715</b>	<b>1,602,102</b>	<b>1,980,000</b>	<b>3,024,687</b>	<b>17,951,934</b>	
<b>Liabilities</b>									
Deposits from customers	-	5,000	14,000	681,237	-	-	-	700,237	1.20%
Deposits by banks	1,995,565	2,000,000	-	-	-	-	-	3,995,565	0.28%
Other liabilities	-	-	-	-	-	-	30,104	30,104	
Provision for income tax	-	-	-	-	-	-	916	916	
<b>Total financial liabilities</b>	<b>1,995,565</b>	<b>2,005,000</b>	<b>14,000</b>	<b>681,237</b>	<b>-</b>	<b>-</b>	<b>31,020</b>	<b>4,726,822</b>	
<b>Maturity gap</b>	<b>1,004,435</b>	<b>(1,005,000)</b>	<b>5,716,430</b>	<b>933,478</b>	<b>1,602,102</b>	<b>1,980,000</b>	<b>2,993,667</b>	<b>13,225,112</b>	

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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## Fair value sensitivity analysis for fixed rate instruments

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

## Cash flow sensitivity analysis for variable-rate instruments

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

### d) Liquidity risk:

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

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

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



# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

31 December 2008	Less than 1 month US\$	Between 1 and 3 months US\$	Between 3 months and 1 year US\$	Between 1 and 5 years US\$	More than 5 years US\$	Not fixed terms US\$	Total US\$
<b>Financial assets</b>							
Cash and bank balances	2,923,935	-	-	-	-	-	2,923,935
Deposits and placements with banks	3,000,000	1,000,000	3,605,430	-	-	-	7,605,430
Loans and advances - net							
- Performing	-	-	3,739,715	1,602,102	-	-	5,341,817
- General allowance	-	-	-	-	-	(53,418)	(53,418)
Other assets	-	-	40,695	113,475	-	-	154,170
Statutory deposits	-	-	-	-	-	1,980,000	1,980,00
<b>Total financial assets</b>	<b>5,923,935</b>	<b>1,000,000</b>	<b>7,385,840</b>	<b>1,715,577</b>	<b>-</b>	<b>1,926,582</b>	<b>17,951,934</b>
<b>Financial liabilities</b>							
Deposits from customers	-	5,000	14,000	681,237	-	-	700,237
Deposits by banks	1,995,565	2,000,000	-	-	-	-	3,995,565
Other liabilities	26,789	-	3,315	-	-	-	30,104
Provision for income tax	916	-	-	-	-	-	916
	<b>2,023,270</b>	<b>2,005,000</b>	<b>17,315</b>	<b>681,237</b>	<b>-</b>	<b>-</b>	<b>4,726,822</b>

# Notes to the financial statements (continued)

for the period from 4 June 2008 - 31 December 2008

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## e) Capital management:

### i. Regulatory capital

The main regulatory capital requirement of the Bank is the banking operations to which the Bank's lead regulator, the National Bank of Cambodia ("NBC"), sets and monitors capital requirements for the Bank as a whole. The subsidiary company is directly supervised by the Ministry of Economy and Finance.

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

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

### ii. Capital allocation

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

## 26. Fair values of financial assets and liabilities

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

# PPCB Promises a Bright Future of Cambodia

Cambodians can look forward to a bright future and take pride in being the descendants of the Angkor Empire. Phnom Penh Commercial Bank has equipped itself with professional financial knowledge and scientific systems to enlarge the valuable assets of each and every client to promote the best synergy effect. The assets that the clients entrust to Phnom Penh Commercial Bank are the foundation of Cambodia's growth, and we will exert every possible effort to reap rich fruits from this valuable foundation. We will provide our clients with differentiated financial services never experienced before, as part of our promise to pursue the improvement of the brand value of Cambodia.



HYUNDAI SWISS  
SAVINGS BANK







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COMMERCIAL BANK

**SBI** Holdings



The Bank for Creating the Bright Future of Cambodia



PHNOM PENH  
COMMERCIAL BANK

767-769, Monivong Blvd, Beoung Trabak Quarter, Chamkarmorn  
District, Phnom Penh, Cambodia

Tel : (855) 23 999500, Fax : (855) 23 999508

E-mail : [service@ppcb.com.kh](mailto:service@ppcb.com.kh) Website : [www.ppcb.com.kh](http://www.ppcb.com.kh)